

University of South Wales




2059446

Bound by

Information Services

Bindery

 (01222) 874949

**THE DETERMINANTS
OF ASSESSMENT TAX COLLECTION:
THE MALAYSIAN LOCAL AUTHORITY
EXPERIENCE**

MAHAMAD BIN TAYIB

**A submission presented in partial fulfilment
of the requirements of the University of Glamorgan
for the degree of Doctor of Philosophy**

October 1998

Declaration

This is to certify that the work submitted in this thesis under title: **The Determinants of the Assessment Tax Collection: The Malaysian Local Authority Experience** is original research. No part of this work has been accepted in substance for any degree and is not currently submitted in candidature for any degree. All authors and works to which reference has been made are fully acknowledged.

Signed:



Candidate:

.....



Director of Studies:

.....

Supervisors:

A.M. Coomals

.....

J R M A M E E N

.....

Date:

13/10/98

.....

Acknowledgement

This thesis has been made possible by contributions from a number of people who offered input, support, guidance, encouragement and prayers throughout my three years of study in Treforest. It gives great pleasure for me now to express my gratitude to these individuals.

I would like to thank my supervision team, Professor Ashley Burrowes, Dr. Hugh M Coombs, and Dr. J R M Ameen, for their guidance and encouragement throughout the preparation of this thesis. Their careful review of the draft chapters and constructive comments, advice and suggestions were invaluable. The benefits I have gathered from them are immeasurable. To them, I wish to extend my sincere thanks for their friendship, sincerity and scholarship.

I would also like to express my thanks to all staff in the Municipal Council of Kuantan, the Municipal Council of Kota Setar and the Municipal Council of Kuala Trengganu who provided a valuable support during my data collection. I also wish to express my sincere appreciation to my fellow colleagues in the Universiti Utara Malaysia and School of Accounting and Mathematics of University of Glamorgan for their kindness in extending assistance to me during the period of my study.

Special thanks are expressed here to my family members for their patience during my study. To my wife, Mahizan, and children, Nabil, Nabilah, Nadhirah and Nasyitah. I would like to extend my deepest love and gratitude for their love, understanding, patience and support throughout my doctoral research.

A special debt is owed to my mother and in particularly my late father, Tayib Kasa, for finding the funds to educate me to be as today. My sincere thanks also go to my parents and my parent-in-law, my brothers and sisters for offering constant prayers for the success of my study. And above all, many thanks are due to Allah, the Almighty, the Merciful, and the Benevolent. His Grace alone brings succour.

Finally, a deep gratitude is owed to the Malaysian Government and the Universiti Utara Malaysia for sponsoring my studies and all the participants in this research who made this study possible.

Abstract

The increasing level of non-compliance with payment demands for local property taxes by Malaysian local authority taxpayers over the past decade has given rise to the need to study the efficiency and productivity of the tax administration system a high priority. This important and sensitive issue has not been given the attention that it deserves. Little empirical research on the administration of, and voluntary compliance in, the Malaysian local taxation system been undertaken and this has shaped the motivation for this study, which represents the first detailed analysis of these issues.

Studies on taxpayer compliance behaviour primarily centre on the income tax system and are mainly based on two models. Firstly, the financial self-interest model and secondly, a model that not only includes economic variables, but also other variables such as demographic, non-compliance opportunities, attitudes and perceptions of taxpayers and the structure of the tax system. The model designed in this work builds on this latter concept to include two further variables - namely quality of service and financial information.

Two aspects of 'assessment tax' collection in Malaysian local authorities are explored in detail. These are, the efficiency and productivity of the assessment tax administration system, and assessment taxpayer compliance behaviour in a sample of Malaysian local authorities.

The results of this study indicate that there is a significant difference in terms of the efficiency and productivity of the assessment tax administrative systems between local authorities. The study demonstrates that authorities with high collection performance are more efficient and productive when compared to authorities with medium and low tax collection performances. In general, many of the factors identified with efficiency and effectiveness of the assessment tax administration are consistent with the attributes found in the income tax system. In addition, new factors associated with a high-commitment work system approach (Beer *et al.*, (1984) and Walton (1985)) are used in the study to explain the performance of local authorities with high tax collection rates. No previous study has combined all aspects of the above variables in investigating the efficiency and productivity of local tax administration systems.

The findings support the model of taxpayer compliance behaviour designed in this work. These indicate that taxpayers in local authorities with high tax collection performance have positive perceptions towards the items listed in the model. In addition, importantly, the majority of the respondents to this study perceived that the presence of financial information might influence their compliance behaviour toward assessment tax.

This research has revealed that the attributes of local authorities with high collection performance correspond to earlier studies based on income tax systems. In addition, however, the findings highlight the importance of such factors as the quality of service delivery to taxpayers and work system design in motivating employees to collect local tax revenues. Furthermore, it provides strategic information to all parties involved in the local taxation collection process, especially those local authorities, which are currently confronted with high levels of uncollected assessment tax revenue. Specifically the research has significant implications for the role of government in Malaysia (especially state government) in monitoring assessment tax systems, the work of local authorities and implications for taxpayers' voluntary compliance behaviour.

This work is expected to make a significant contribution towards building a unified efficient theory of local taxpayer compliance.

Table of Contents

Title	
Declaration	
Acknowledgement	
Abstract	
Table of Contents	
List of Figures	
List of Tables	
List of Abbreviations	

CHAPTER 1: INTRODUCTION

1.0 Introduction	1
1.1 Overview to the Study	2
1.2 Background to the Study	8
1.3 Research Problems	12
1.4 Research Questions	14
1.5 Research Objectives	14
1.6 Significance and Contribution of the Study	15
1.7 Summary of Findings	17
1.8 Organisation of the Thesis	19

CHAPTER 2: INTRODUCTION TO THE MALAYSIAN ‘ASSESSMENT TAX’ SYSTEM

2.0 Introduction	21
2.1 Local Government System	22
2.1.1 Constitution and Division of Authority	22
2.1.2 The Position of Local Government	26
2.1.3 Restructuring Outcome and Enabling Laws	33
2.1.3.1 Street, Drainage and Building Act (SDB) 1974	35
2.1.3.2 Town and Country Planning Act (TCP) 1976	36
2.1.3.3 Local Government Act (LGA) 1976	36
2.1.4 Local Authority Functions	38
2.1.4.1 Environmental Functions	39
2.1.4.2 Public Amenities Functions	39

2.1.4.3 Public Health and Cleansing Functions	40
2.1.4.4 Social Functions	41
2.1.4.5 Development Functions	41
2.2 Local Assessment Taxes (Rates)	43
2.2.1 Background to 'Rates'	43
2.2.2 Present Rating System in Malaysia	51
2.2.2.1 Basis Assessment for Rate (or Assessment Tax)	52
2.2.2.2 Exemption from Rates	54
2.2.2.3 Valuation of the Property	55
2.2.3 The Contribution of Assessment Tax - a comparison	56
2.3 Assessment Tax and Arrears Problems	62
2.4 Summary and Conclusions	65

CHAPTER 3: THEORY AND HYPOTHESIS DEVELOPMENT I: TAXPAYER COMPLIANCE

3.0 Introduction	67
3.1 Taxpayer Compliance Behaviour	68
3.2 Structure of the Tax System	78
3.2.1 Equity or Fairness	83
3.2.2 Clarity of the Assessment Tax System	86
3.2.3 Convenience of Payment	88
3.3 Financial Information	94
3.4 Quality of Service	101
3.5 Summary and Conclusions	107

CHAPTER 4: THEORY AND HYPOTHESIS DEVELOPMENT II: THE ADMINISTRATION OF THE TAX SYSTEM

4.0 Introduction	110
4.1 Efficiency and Productivity of the Tax Administration System	114
4.2 Tax Collection	119
4.2.1 Revenue Collection System	119
4.2.2 The Use of Information Technology	123
4.3 Organisational Commitment	127
4.4 High-commitment Work System	131
4.5 Summary and Conclusion	137

CHAPTER 5: RESEARCH DESIGN AND METHODOLOGY

5.0	Introduction	139
5.1	Research Design	140
5.2	Method of Data Collection	141
5.2.1	Secondary Research	142
5.2.2	Primary Research	144
5.2.3	Organisation of the Questionnaire	146
5.2.3.1	Local Authority Questionnaire	146
5.2.3.1.1	Billing and collection	147
5.2.3.1.2	Management of Taxpayer Accounts	149
5.2.3.1.3	The Use of Information Technology	150
5.2.3.2	The Assessment Tax Staff Questionnaire	151
5.2.3.2.1	Organisational Commitment	152
5.2.3.2.2	High-commitment Work System	153
5.2.3.3	Assessment Taxpayer Questionnaire	155
5.2.3.3.1	Equity	156
5.2.3.3.1.1	Ability to Pay	156
5.2.3.3.1.2	Benefit Received	157
5.2.3.3.2	Clarity of the Assessment Tax System	159
5.2.3.3.3	Convenience of Payment	160
5.2.3.3.4	Quality of Service	161
5.2.3.3.5	Financial Information Reporting	162
5.2.3.3.6	Compliance Costs	163
5.2.3.3.7	Scale of the Instrument	164
5.3	Subject of the Study	166
5.3.1	Local Authority	166
5.3.2	Assessment Tax Staff	170
5.3.3	Assessment Taxpayer	172
5.3.3.1	Sampling Frame for Assessment Taxpayer	173
5.3.3.2	Sampling Design	174
5.3.3.2.1	Convenience Sampling	175
5.3.3.2.2	Purposive Sampling	175
5.3.3.2.3	Quota Sampling	175
5.3.3.2.4	Simple Random Sampling	176
5.3.3.2.5	Systematic Sampling	177
5.3.3.2.6	Stratified Sampling	177
5.3.3.2.7	Cluster Sampling	178
5.3.3.3	The Sampling Choice: Cluster Sampling	178
5.3.3.4	Sample Size	179
5.3.3.5	Sampling Units for Assessment Taxpayers	180
5.4	Administration of Fieldwork	181
5.4.1	Writing of the Questionnaire	182
5.4.2	Translation of Questionnaire	182
5.4.3	Pilot test	183
5.4.4	Actual Study	186

5.5 Data Analysis	187
5.5.1 Exploratory Data Analysis	188
5.5.2 Analysis of Differences between Means	189
5.6 Assumption and Limitations of the Study	190
5.6.1 Assumptions	190
5.6.2 Limitations	191
5.7 Summary	192

CHAPTER 6: RESULTS I: ASSESSMENT TAX ADMINISTRATION SYSTEM

6.0 Introduction	193
6.1 Efficiency and Productivity of the Assessment Tax Administration	194
6.1.1 Efficiency of the Assessment Tax Administration	195
6.1.2 Productivity of the Assessment Tax Administration	203
6.2 Assessment Tax Collection System	206
6.2.1 Billing and Collection of the Assessment Tax	206
6.2.2 Management of Taxpayer Accounts	209
6.2.3 The Use of Information Technology	212
6.3 Organisational Commitment and High-commitment Work Systems	216
6.3.1 Sample for the Study	216
6.3.2 Perceptions about Organisational Commitment	217
6.3.2.1 Total Sample	218
6.3.2.2 Municipal Councils - Kuantan, Kota Setar and Kuala Trengganu	220
6.3.3 Perceptions towards the Presence of the High-commitment Work System	222
6.3.3.1 Total sample	223
6.3.3.2 Municipal Councils - Kuantan, Kota Setar and Kuala Trengganu	225
6.3.4 Summary	228
6.3.5 Hypothesis Testing	229
6.3.5.1 Perceptions about Organisational Commitment	229
6.3.5.2 Perceptions about the Presence of High-commitment Work System	231
6.3.5.3 Summary	232
6.4 Summary and Conclusions	233

CHAPTER 7: RESULTS 2: TAXPAYER COMPLIANCE BEHAVIOUR

7.0 Introduction	236
7.1 Respondents to the Study	237
7.2 Taxpayers' Perceptions about Benefit Received, Clarity of Assessment Tax System, Convenience of Payment and Quality of Service	239
7.2.1 Perceptions about Satisfaction of Benefit Received	240
7.2.1.1 Total Sample	240
7.2.1.2 Municipal Councils - Kuantan, Kota Setar and Kuala Trengganu	241
7.2.2 Perceptions about Clarity of the Assessment Tax System	245

7.2.2.1 Total sample	245
7.2.2.2 Municipal Councils - Kuantan, Kota Setar and Kuala Trengganu	246
7.2.3 Perceptions about Convenience of Payment	248
7.2.3.1 Total sample	248
7.2.3.2 Municipal Councils - Kuantan, Kota Setar and Kuala Trengganu	250
7.2.4 Perceptions about Quality of Services	252
7.2.4.1 Total Sample	252
7.2.4.2 Municipal Councils - Kuantan, Kota Setar and Kuala Trengganu	254
7.2.5 Summary	256
7.2.6 Test of Hypotheses related to Benefit Received, Clarity of the Assessment Tax Systems, Convenience of Payment and Quality of Service	258
7.2.6.1 Perceptions about Satisfaction of Benefit Received	258
7.2.6.2 Perceptions about Clarity of Assessment Tax System	259
7.2.6.3 Perceptions about Convenience of Payment	260
7.2.6.4 Perceptions about Quality of Services	261
7.2.6.5 Summary	263
7.3 Ability to Pay, Costs of Compliance and Financial Information	264
7.3.1 Taxpayers' Ability to Pay	264
7.3.1.1 Income of Taxpayers	264
7.3.1.2 The Number of Taxpayer Dependents	267
7.3.1.3 Type of House Owned by Taxpayer	268
7.3.1.4 Summary	270
7.3.2 Compliance costs	271
7.3.3 Financial Information	278
7.4 Summary and Conclusions	284

CHAPTER 8: SUMMARY, DISCUSSION AND RECOMMENDATIONS

8.0 Introduction	290
8.1 Summary of findings	291
8.1.1 Tax Administrative System	291
8.1.1.1 Efficiency of the Tax Administrative System	291
8.1.1.2 Productivity of the Assessment Tax Administrative System (Hypothesis Two)	292
8.1.1.3 Assessment Tax Collection System	292
8.1.1.3.1 Billing and Collection (Hypothesis Three)	292
8.1.1.3.2 Managing Assessment Taxpayer Accounts (Hypothesis Four)	293
8.1.1.3.3 The Use of Information Technology (Hypothesis Five)	294
8.1.1.4 Organisational Commitment and High-commitment Work System	295
8.1.1.4.1 Organisational Commitment (OC)(Hypothesis Six)	295
8.1.1.4.2 High-commitment Work System (HCWS)(Hypothesis Seven)	296
8.1.2 Tax Compliance Behaviour	298
8.1.2.1 Taxpayers' Perceptions about Satisfaction with Benefit Received, Clarity of the Assessment Tax System, Convenience of Payment and Quality of Service	298

8.1.2.1.1	Satisfaction of Benefit Received (BR) (Hypothesis One)	298
8.1.2.1.2	Clarity of the Assessment Tax System (CATS) (Hypothesis Three)	299
8.1.2.1.3	Convenience of Payment (COP) (Hypothesis Four)	299
8.1.2.1.4	Quality of Service (QOS) (Hypothesis Five)	300
8.1.2.2	Ability to Pay, Compliance Costs and Financial Information	302
8.1.2.2.1	Ability to Pay (Hypothesis Two)	302
8.1.2.2.2	Compliance Cost (Hypothesis Six)	303
8.1.2.2.3	Financial Information (Hypothesis Seven)	304
8.2	Discussion	305
8.2.1	Tax Administration System	305
8.2.1.1	Efficiency and Productivity of the Assessment Tax Administration	305
8.2.1.2	Tax Collection System	306
8.2.1.2.1	Billing and Collection of Assessment Tax	307
8.2.1.2.2	Managing Taxpayer Accounts	307
8.2.1.2.3	The Use of Information Technology	308
8.2.1.3	Organisational Commitment and High-commitment Work System	309
8.2.1.3.1	Organisational Commitment	309
8.2.1.3.2	High-commitment Work System	310
8.2.2	Tax Compliance Behaviour	310
8.2.2.1	Benefit Received	310
8.2.2.2	Ability to Pay	311
8.2.2.3	Clarity of the Assessment Tax System	312
8.2.2.4	Convenience of Payment	313
8.2.2.5	Quality of Service	313
8.2.2.6	Compliance Costs	314
8.2.2.7	Financial Information	314
8.2.3	The Proposed Model	316
8.2.3.1	Efficiency and Productivity of the Assessment tax System	316
8.2.3.2	Taxpayer Compliance Behaviour	317
8.3	Theoretical and Practical Implications	319
8.3.1	Theoretical Implications	319
8.4.2	Implications for Management Practices	321
8.4	Limitations and Future Research	326
8.4.1	Limitation of the Study	326
8.4.1.1	Generalisability	326
8.4.1.2	Methodological Limitations	328
8.4.2	Suggestions for Future Research	329
8.5	Conclusions	331
REFERENCES		333

APPENDICES

Appendix 2.1: The Map of Peninsular Malaysia	351
Appendix 2.2: The Status of Local Authorities in Peninsular Malaysia	352
Appendix 2.3: List of Ministries and Their Departments	353
Appendix 2.4: A List of Several Categories of Local Authority Services as stated in the Local Government Act, 1976.	355
Appendix 2.5: Function and Responsibilities of Local Government	356
Appendix 2.6: Comparison of Activities and Services of the UK and Malaysian Local Authority	357
Appendix 5.1: Financial and Budget Reports of the Municipal Councils in the Sample	358
Appendix 5.2: Survey Questionnaire for the Local Authority pertaining to Billing and Collection of the Assessment Tax, and Management of the Taxpayer Accounts	361
Appendix 5.3: Survey Questionnaire for the Council's Staff Involved in the Assessment Tax Administration	365
Appendix 5.4: Survey Questionnaire for Assessment Taxpayer	370
Appendix 5.5: Percentage of Arrears to Assessment Taxes Revenue of the Municipal Councils in Peninsular Malaysia	378
Appendix 5.6: Awards Received by the Municipal Council of Kuantan	379
Appendix 5.7: List of the Names of the Residential of Taxpayer in the three Selected Municipal Councils	380
Appendix 6.1: Distribution of Respondents (Tax Staff) by the Municipal Council's Assessment Tax Collection performance and Demographic Characteristics	381
Appendix 6.2: The Frequency Distribution of Variables in the Councils Staff Survey	382
Appendix 7.1: Covering Letter to the Taxpayer's Questionnaire	391
Appendix 7.2: Introduction Letter	392
Appendix 7.3: Distribution of Respondents by the Council's Collection Performance and Demographic Characteristics	393
Appendix 7.4: Frequency of the Taxpayers Survey	395
Appendix 7.5: ANOVA Results for Mean Differences of Income, Number of Dependents, and Type of House Owned between Taxpayers in the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.	407
Appendix 7.6: ANOVA for Mean Differences of Items CC2, CC4, CC6 and CC7 between the Municipal Councils under study	409
Appendix 7.7: Results of AVOVA for Items FI2, FI4 and FI5	412

Appendix 8: Suggestions to Improve Assessment Tax Revenue Collection Performance	418
---	-----

List of Figures

Figure 2.1: The Structure of Local Government	30
Figure 3.1: Expanded Model of Taxpayer Compliance	72
Figure 3.2: Expanded Model of Taxpayer Compliance with Knowledge and Understanding Variable	74
Figure 3.3: Model of Taxpayer Compliance (Local Taxation Based)	108
Figure 4.1: Work System	134
Figure 6.1: Percentage Of Assessment Tax Arrears (1988-1996)	196
Figure 6.2: Percentage Of Assessment Tax Collection (1988-1996)	196
Figure 6.3: Comparative Efficient Ratio based on the Total Assessment Tax Revenue Collected (1988-1996)	198
Figure 6.4: Collection Cost Per Property Holder	199
Figure 6.5: Collection Cost Per Staff	199
Figure 6.6: Tax Staff And Property Holder Ratio	203
Figure 6.7: The Number Of Property Holders Per Tax Staff	203
Figure 6.8: The Total Number of <i>E-Forms</i> Issued	211
Figure 6.9: <i>E-Form</i> Issued and Assessment Tax Bills Ratio	211
Figure 8.1: Determinants of High Assessment Tax Collection Performance	317
Figure 8.2: Model of Taxpayer Compliance	318

List of Tables

Table 1.1: Percentage of Arrears to Assessment Taxes Revenue of the Municipal Councils in Peninsular Malaysia	10
Table 2.1: Local Authorities in Malaysia, 1990	27
Table 2.2: Local Authorities in Peninsular Malaysia	28
Table 2.3: The Rules and Regulation applied to Local Authorities in the State of Malaya before 1976	49
Table 2.4: The Provision Relating to Rates and Valuation in the Local Government Act 1976	51
Table 2.5: The Composition of Local Sources of Revenue of Local Authorities in Peninsular Malaysia	58
Table 2.6: The Composition of the Total Revenue of Local Authorities in Malaysia 1989-1993	59
Table 2.7: The Percentage of the Composition of Local Authorities Total Revenues in Peninsular Malaysia 1989-1993	60
Table 2.8: Total Arrears of Municipal Councils and District Councils from Year 1986 - 1989	62
Table 2.9: Comparison of Rates Arrears with the level of Income and Expenditure	63
Table 3.1: Summary of Variables in the Tax Compliance Models	76
Table 3.2: Summary of Attributes in the Tax Structure	82
Table 4.1: The Conceptions of Organisational Commitment	129
Table 4.2: A Summary of Work-System Approaches	132
Table 5.1: Advantages and Disadvantages of the Survey Methods	145
Table 5.2: Organisational Commitment Items	152
Table 5.3: High-commitment Work System Items	153
Table 5.4: Coding Scheme for Demographic Variables of Tax Staff	154
Table 5.5: Benefit Received Items	159

Table 5.6: Clarity of the Assessment Tax System Items	160
Table 5.7: Convenience of Payment Items	161
Table 5.8: Quality of Service Items	162
Table 5.9: Coding Scheme for Demographic Variables of Taxpayers	165
Table 5.10: Categories of Municipal Councils	168
Table 5.11: Groups of Municipal Council in Peninsular Malaysia by Categories	169
Table 5.12: Summary of the Selected Municipal Councils	170
Table 5.13: The Department/Section handling Assessment Tax	171
Table 5.14: Sample Size Adjustment	180
Table 5.15: Respondents of Pilot Test	183
Table 5.16: Reliability Coefficients	185
Table 5.17: The Distribution of the Questionnaires	186
Table 6.1: Comparison of Cost of Collection as a Percentage of Assessment Tax Revenue between Kuantan, Kota Setar and Kuala Trengganu Municipal Councils (1988-1996)	197
Table 6.2: Assessment Tax Staff and Collection Cost of the Kuantan, Kota Setar and Kuala Trengganu Municipal Councils (1988-1996)	200
Table 6.3: Number of Tax Staff and Property Holders of the Kuantan, Kota Setar and Kuala Trengganu Municipal Councils (1988-1996)	204
Table 6.4: Billing of Assessment Tax Practised by the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu	207
Table 6.5: Revenue Collection of Assessment Tax Practised by the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu	208
Table 6.6: Managing Assessment Taxpayers Accounts	210
Table 6.7: Comparative Analysis of Computer Usage between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu	213
Table 6.8: Comparative Analysis of Computer Usage of the Assessment Tax Functions between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.	214

Table 6.9: The Level of Computerised Systems in the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu	215
Table 6.10: Number of Questionnaires Distributed and Collected	217
Table 6.11: Summary Statistics about the Organisational Commitment as Perceived by Tax Staff - Total Sample	219
Table 6.12: Summary Statistics about the Organisational Commitment as Perceived by Tax Staff	221
Table 6.13: Summary Statistic about the Presence of High-Commitment Work System as Perceived by Tax Staff - Total Sample	223
Table 6.14: Summary Statistics about the Presence of High-Commitment Work System as Perceived by Tax Staff	226
Table 6.15: One-way ANOVA for Mean Differences about the Organisational Commitment as Perceived by Tax Staff	230
Table 6.16: Scheffe Multiple Range Test for Mean Differences about the Organisational Commitment as Perceived by Tax Staff	230
Table 6.17: One-way ANOVA for Mean Differences about the Presence of Work-designed System as Perceived by Tax Staff	231
Table 6.18: Scheffe Multiple Range Test for Mean Differences about the Presence of Work-designed System as Perceived by Tax Staff	232
Table 7.1: Summary Statistics about Satisfaction with Benefit Received as Perceived by Taxpayers - Total Sample	240
Table 7.2: Summary of Statistics about Satisfaction with Benefit Received as Perceived by Taxpayers	243
Table 7.3: Summary Statistics about Clarity of Assessment Tax System as Perceived by Taxpayers - Total Sample	245
Table 7.4: Summary Statistics about the Clarity of Assessment Tax System as Perceived by Taxpayers	247
Table 7.5: Summary Statistics about the Convenience of Payment as Perceived by Taxpayers - Total Sample	249
Table 7.6: Summary Statistics about the Convenience of Payment as Perceived by Taxpayers	251
Table 7.7: Summary Statistics about the Quality of Service as Perceived by Taxpayers - Total Sample	253

Table 7.8: Summary Statistics about the Quality of Service as Perceived by Taxpayers	255
Table 7.9: One way ANOVA for Mean Differences about Satisfaction with Benefit Received as Perceived by Taxpayers	258
Table 7.10: Scheffe Multiple Range Test for Mean Differences about Satisfaction with Benefit Received as Perceived by Taxpayers	259
Table 7.11: One-Way ANOVA for Mean Differences about the Clarity of the Assessment Tax System as Perceived by Taxpayer	260
Table 7.12: One-way ANOVA for Mean Differences about the Convenience of Payment as Perceived by Taxpayers	261
Table 7.13: One-way ANOVA for Mean Differences about the Quality of Service as Perceived by Taxpayers	262
Table 7.14: Scheffe Multiple Range Test for Mean Differences about the Quality of Service as Perceived by Taxpayers	262
Table 7.15: Distribution of Gross Income of the Respondents	265
Table 7.16: Comparison of Income Distribution between Municipal Councils Studied	266
Table 7.17: Taxpayers' Income	267
Table 7.18: The Number of Dependents of Taxpayers	268
Table 7.19: The Type of House Owned by Taxpayers	269
Table 7.20: Percentage Response of the Taxpayers towards Cost of Compliance - Total sample (N=305)	271
Table 7.21: Percentage Response of the Taxpayers towards Cost of Compliance	272
Table 7.22: Percentage Response of the Taxpayers towards Book and Record Keeping	273
Table 7.23: Expert Costs Incurred by Taxpayers	273
Table 7.24: Miscellaneous Expenses Incurred by Taxpayers	274
Table 7.25: Visit to Assessment Tax Office by Taxpayers	274
Table 7.26: Results of One-way ANOVA of Compliance Cost between the Municipal Councils Studied	275

Table 7.27: Summary of Responses to ‘Do you want local government annual report and accounts to be made available or disclosed to the public?’	279
Table 7.28: Summary of Responses to ‘What section of the annual reports and accounts would you like to read?’	280
Table 7.29: Summary of Responses to ‘If you have an opportunity to read the report, would you be more willing to pay the assessment tax?’	281
Table 7.30: Summary of ANOVA’s Results of Local Taxpayers Willingness to Read Annual Reports and Accounts and Pay Local Tax between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.	281
Table 7.31: Summary of ANOVA for Mean Differences in the Perceptions of Taxpayers about Benefit Received, Clarity of Assessment Tax System, Convenience of Payment and Quality of Service	286
Table 7.32: Summary of ANOVA for Mean Differences of Taxpayers Ability to Pay between the three Municipal Councils	287
Table 7.33: Summary of ANOVA for Mean Differences of Taxpayers’ Costs of Compliance between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.	288
Table 7.34: Summary of ANOVA for Mean Differences of taxpayers’ perceptions about the presence of financial information	289
Table 8.1: The Top Three Highest Mean Scores of the Organisational Commitment Items as Perceived by Taxpayers in the Municipal Councils Studied	295
Table 8.2: The Top Three Highest Mean Scores of the High-commitment Work System Items as Perceived by Taxpayers in the Municipal Councils Studied	297
Table 8.3: The Top Three Highest Mean Scores of the Convenience of Payment Items as Perceived by Taxpayers in the Municipal Councils Studied	300
Table 8.4: The Top Three Highest Mean Scores of the Quality of Service Items as Perceived by Taxpayers in the Municipal Councils Studied	301
Table 8.5: Summary of Mean Scores of the Compliance Cost Variables between Taxpayers in the Municipal Councils Studied	303

List of Abbreviations

ANOVA	-	Analysis of Variance
BR	-	Benefit Received
CATS	-	Clarity of the Assessment Tax System
CC	-	City Council
CH	-	City Hall
CIPFA	-	Chartered Institute of Public Finance and Accountancy
COP	-	Convenience of Payment
DAP	-	Democratic Action Party
DC	-	District Council
EXCO	-	State Executive Council
FMS	-	Federated Malay State
HCWS	-	High-commitment Work System
IRD	-	Inland Revenue Department
IRS	-	Inland Revenue Service
ISO	-	International Organisation for Standardisation
KMC	-	Kuantan Municipal Council
KSMC	-	Kota Setar Municipal Council
KTMC	-	Kuala Trengganu Municipal Council
LA	-	Local Authority
LGA 1976	-	Local Government Act 1976
LPA	-	Local Planning Authority
M	-	Means
MC	-	Municipal Council
MHLG	-	Ministry of Housing and Local Government
NCLG	-	National Council for Local Government
OAS	-	Official Assessment System
OC	-	Organisational Commitment
OCQ	-	Organisational Commitment Questionnaire
PAS	-	PAN Malaysian Islamic Party
PAYE	-	Pay as You Earn
QOS	-	Quality of Service
RM	-	Ringgit Malaysia (Malaysian Currency)
SAMC	-	Shah Alam Municipal Council
SAS	-	Self Assessment System
S.D.	-	Standard Deviation
SDBA 1974	-	Street, Drainage and Building Act 1974
SERVQUAL	-	Service Quality
TCP 1976	-	Town and Country Planning Act 1976
UFMS	-	Unfederated Malay State
UMNO	-	United Malay National Organisation
USA	-	The United States of America
UUM	-	Universiti Utara Malaysia

Chapter 1

INTRODUCTION

1.0 Introduction

The efficiency and productivity of tax administration, as well as taxpayer compliance behaviour and their impact on revenue collection in local authority taxation systems, has been a neglected area in the study of Malaysian local government finance. This is also the case in other developing countries although such studies are by no means common place even in the so-called 'Developed Countries'. Even where such work does exist it tends to concentrate on the income tax system. It should also be pointed out that some of the local taxation systems operating in a number of developing countries were introduced during the era of Western colonisation. This work, therefore, increases the opportunity for comparative studies on the efficiency and productivity of the local tax collection system between developed and developing countries.

In Malaysia, for example, the British rating¹ system remains as the primary fiscal instrument to finance local government activities contributing more than sixty per cent of the total self-generated revenues for local government. It is also a system in crisis, experiencing high levels of local tax arrears. The Malaysian federal government also

¹ Rates is the term used to describe local authority taxes in many British Commonwealth countries. It is known as an Assessment Tax in Malaysia, which is calculated based on a percentage of 'rate' that is imposed on the 'annual' and 'improved' value of immovable properties within the local authority area.

plans to replace its present annual revenue support grant to local authorities to make them fully locally financed and further develop the 'enabling authority' concept². High levels of uncollected tax revenues at the local authority level may, however, impede this expectation or determination of the central government.

This study is regarded as essential to provide strategic information to policy makers in local authorities in order to improve the efficiency and productivity of their local tax administrative systems. Indeed, in the conclusions to this study, it is possible to identify the factors that are associated with the efficiency and productivity of tax administration at the local authority level. In addition, the study also identifies those factors in the local tax system, which significantly affect local taxpayer compliance behaviour. Indeed, prior to this work, there was very little empirical work in this area which made specific reference to the issue of the payment of local authority tax demands by taxpayers.

1.1 Overview to the Study

The efficiency and productivity of tax administration is a major concern of many local authorities in developing countries (Surrey, 1975). Experience in developed countries, for example the UK, shows that the efficiency of the local tax system is the key factor in influencing the level of local tax collection, or in other words, taxpayer compliance behaviour. Voluntary adherence to the tax rules and regulations by taxpayers is the cornerstone of tax administration (Kelly and Oldman, 1973). It is a responsibility of

² This concept suggests that local authority services should be delivered by market-based mechanisms (Cochrane, 1993).

the tax administrator to facilitate and bring about the highest possible degree of voluntary compliance, as it is the most effective way of achieving high collection rates.

Kelly and Oldman (p. xii) highlight that:

...departmental activities aimed at creating in the minds of taxpayers a favourable attitude towards voluntary compliance, and confidence in the fairness of the taxation employee, are at least as important as activities aimed at increasing the efficiency of tax collection or detecting and correcting misapplications of the law and other errors.

Voluntary compliance will be higher if the tax system is understandable, or seen as uncomplicated, by those for whom it is intended should comply (Mikesell, 1996). It will also be higher if taxpayers hold positive perceptions towards the tax administrative system and the fairness (or equity) of tax law and its complexity (Christensen *et al.*, 1994). Both parties, however, have to play their part: for example, local authorities have a responsibility to give taxpayers reasonable information and assistance in the process of collecting and paying tax. Taxpayers, on the other hand, have to respond by paying all relevant dues promptly, as this will reduce unnecessary costs (e.g. enforcement costs, etc.) that may be incurred by the local authority.

The process of collecting tax involves a complex interacting set of variables including peoples' behaviour, methods of collection, and the controls designed to create the information flows and records that support the work of tax collection. These variables not only effect the tax collection department at the macro level but also at the micro level due to the relationship between such areas as, for example, the billing section and the section responsible for managing taxpayer accounts (Gelinas, Oram and Wiggins, 1990). People within these sections of the organisation are seen by these authors to be the most influential factor in the process. Mikesell (1974) supports this view when he

stressed that the achievement of the set goals of a society depends to a large part on the success of the tax administrators in carrying out their task.

It has been argued that negative behaviour at work might be tied to the manner in which work is designed and the manner in which the people are managed. Beer, Spector, Lawrence, Mill and Walton (1984) believe that management choices concerning work systems will have a strong effect on the level of motivation, performance and loyalty towards organisation. Hence, it could be said that the effectiveness and efficiency of tax administrative procedures and practices, and supervision by highly committed tax personnel within well-executed work systems, would provide a vital role in determining the successful implementation and maintenance of the tax administration system. These ideas and concepts are further explored within this thesis.

Therefore, the issues that can be associated with the performance of tax collection are the efficiency and productivity of tax administration system and the taxpayers' voluntary compliance. In addition to the writers mentioned earlier, the efficiency and productivity of the tax administrative systems have been studied from many perspectives (see for example, Smith, 1776; Barnett, 1990; Barjoyai, 1991; Ishi, 1993; Jackson, 1994; and Hajah Mustafa, 1996), and these issues will be further investigated in this work. The majority of these studies, however, have focused on the efficiency and productivity of the income tax administrative system. The contribution of this literature, while mainly income tax specific, could be relevant to other tax raising bodies, especially local government in a developing country like Malaysia. Barnett (1990) and Jackson (1994), in particular, discuss the efficiency and effectiveness of the

UK Community Charge (a poll tax or head tax) system. They indicated that, *inter alia*, the structure of the Community Charge system did not meet the criteria or characteristics of an efficient local tax system, and therefore failed to succeed its predecessor, i.e. the rating system. They believe that the current council tax system will prove to be a fair tax when implemented fully and is likely to fulfil the attributes of a good tax system.

In Malaysia, the limited studies that have occurred have concentrated on the total collection processes (i.e. billing, collection, enforcement etc.) for local taxes when evaluating the efficiency and productivity of local tax administration systems. In this study, it is believed that poor tax revenue collection rates are due to inefficiencies in the tax administrative system. The total tax collected is, therefore, associated with poor collection practices, inefficiency in managing taxpayers' accounts and a general lack of tax staff commitment across the whole process of tax collection (Nahappan Report, 1970; Pilay and Tan, 1985; Ismail, 1989 and 1991; Hizam, Plimmer and Gronow, 1994). None of these studies, however, undertook an in-depth analysis but, in the context of this study, have represented rather superficial attempts to identify the root of the problem of the non collection of local tax revenue.

The general relevance of the above literature is supported by evidence which shows that a high organisational commitment, as a significant element in the collection process, from employing bodies is not only a predictor of employee retention but may also be a predictor of employee effort and performance (Mowday, Porter and Dubin 1974; Mowday, Steers and Porter 1979). Thus, a committed employee's definite desire to maintain organisational membership could have a clear relationship to the

motivation to participate in and be receptive to change. Normally the productivity and work quality of the individual employee would also increase (Beer *et al.*, 1984). This work attempts to relate this theory to tax collection at the local authority level.

A comprehensive review of forty-three taxpayer compliance studies by Jackson and Milliron (1986) identified four categories of variables that have been commonly addressed by researchers and are linked to measures of taxpayer compliance behaviour. These are:

- demographic
- non-compliance opportunity
- attitudinal
- structural.

In addition, variables such as knowledge and understanding about the tax system were found to have an influence on taxpayer compliance behaviour. It has, however, been argued that a good tax structure should be made simple and understandable to those who want to comply. It is with regard to these issues that many researchers in the UK have focused on the importance of the structure of the tax system itself. The ‘canons of taxation’ laid down by Adam Smith over two hundred years ago are a main theme of these discussions in public finance literature.

In the absence of voluntary interaction between ‘seller’ and ‘buyer’ in the provision of government services, taxpayer or ‘buyer’ attention therefore shifts to the quality of services delivered to them. It has been argued that the quality of services provided to communities plays an important role in tax collection. This means that people may be willing to pay (or pay more) in order to live in a community that provides a high quality programme of public services (Tiebout, 1956 and Oates, 1969). Therefore, it could be hypothesised that the high quality services provided by a government will

lead to high voluntary compliance among taxpayers and then more tax revenue could be collected. This study develops this idea by considering the attitudes and perceptions of Malaysian local authority taxpayers towards the quality of services provided by their local authority and the implication of this for the collection of local tax revenue.

In addition to an interest in high quality services provided by local government, taxpayers may also like to know how their local authority has spent the money demanded. This means that local authorities must ensure that each taxpayer has relevant information about what they are doing in an understandable format. In addressing these issues, therefore, the local authority needs to explore how best to provide information to the community in order to help taxpayers make judgements on its performance in these respects.

At the same time, local authorities should be discharging their accountability³ function by disclosing this information. Providing financial information is one of the key ways in which accountability is communicated, and most public service organisations use published financial statements as the main vehicle for demonstrating their accountability (CIPFA, 1995). The information in the published financial statements, if communicated correctly, will assist taxpayers and other interested parties to make comparisons of, and judgements on, the performance of their authorities' ability to manage affairs and resources efficiently and effectively while achieving its policy aims.

³ Involving explaining (or justifying) what has been done, what is currently being done and what has been planned. It arises from a set of established procedures and relationships of varying formality.

In this study, the above issues will be further examined and analysed in the context of the Malaysian local taxation system for the first time. The study intends to bridge the gap between the work that has been done in Malaysia and other countries on the income tax systems by integrating the two aspects, that is the efficiency and productivity of tax administrative system and taxpayer compliance behaviour, to identify and explore the real determinants of local tax collection in Malaysian local authorities.

1.2 Background to the Study

The 'rates' were introduced in the states of Malaya as early as 1801 when the British⁴ established a 'Committee of Assessors'⁵ on the rented Island of Penang. The Committee was given a power to levy and raise 'rates', thus establishing the first 'Western' local taxation system in Malaysia. Since then, this inherited system has been practised throughout Malaysia by local authorities despite the work of the Royal Commission (discussed below) which, while it has resulted in radical restructuring of local government, has made no amendment to the taxation base.

Prior to 1970 the Malaysian government had been concerned with the unsatisfactory way the majority of local authorities in the country were administered. In November 1963 the National Council for Local Government (NCLG) decided that a commission should be appointed to undertake a thorough investigation of the 'working' of local

Thus, one party is accountable to another in the sense that one of the parties has a right to call upon the other to give an account of his activities (Jackson 1982)

⁴ Local government in Britain has had a long history of development evolving from municipal corporations and special purpose boards into a comprehensive structure of multi-purpose local authorities covering the whole country (See Norris, 1980).

authorities. The Royal Commission, chaired by Senator Dato' Athi Nahappan and appointed in July was, in many respects, a turning point in the development of the local government system. For the first time since the independence of Malaysia in 1957 evidence was collected systematically from every local authority in the country. The quantity and variety of this evidence, together with the wide terms of reference given to the Commission, created the opportunity for a report which is an essential reference source for any study of present day Malaysian local government (Norris, 1980).

The recommendations made by the Royal Commission covered all aspects of local authorities. This included such matters as their structure, functions, management and relations with state and federal governments and the public. The introduction of the Local Government Act (LGA), 1976⁶, as a response by the government to the Commission report, is a cornerstone of the present system of the local government in Peninsular Malaysia. No changes were recommended to be made to the existing rating system, although the Commission revealed that there was evidence that:

... huge sums of arrears of rates have been allowed to accumulate which have tended to grow from year to year with no serious attempt made to recover them (Nahappan Report 1970, p. 253)

The Report also revealed that local authorities were facing difficulties in enforcing rules and regulations in dealing with non-compliant taxpayers.

⁵The modern term is local authority.

⁶ Debates regarding the LGA 1976 in the House of Representatives could not be obtained as the information was not publicly disclosed.

The LGA 1976 provides a consolidated legal framework for local authorities. The main aim of the Act was to end the fragmentation of legislation affecting local authorities and this was clearly explained in the foreword to the Bill. With respect to the rating system Part XV of the Act had the objective of facilitating the implementation of a uniform system of rating in Peninsular Malaysia. Prior to this each state had developed local tax systems on an individual basis resulting in wide variations in the rules of rating and methods of tax collection.

The introduction of the LGA in 1976 was meant to improve the administration of the local tax system by standardising procedures, as outlined above. However, studies conducted after the restructuring process took place show that local authorities in Peninsular Malaysia were still struggling to reduce a high non-compliance rate that existed in their constituency (see for example, Pilay and Tan 1985; Ismail 1989 and 1991, Alias, 1994). These studies are further supported by the figure in Table 1.1.

Table 1.1: Percentage of Arrears to Assessment Taxes Revenue of the Municipal Councils in Peninsular Malaysia

Municipal Council	Percentage Arrears to Annual Assessment Taxes Revenue
Shah Alam	9.21
Pulau Pinang	10.77
Melaka	11.19
Kelang	23.36
Kuantan	37.18
Seberang Prai	41.86
Petaling Jaya	45.65
Taiping	60.38
Ampang Jaya	60.65
Kota Setar	79.68
Seremban	89.36
Sungai Petani	107.66
Kangar	124.01
Kota Bahru	156.35
Kuala Trengganu	224.42

Source: Local Government Division, Ministry of Housing and Local Government 1995.

Further support (if any is needed) can be found in the announcement made by the Kedah State Assembly that their local authorities had failed to collect 53.65% of income from 'rates' that were due to be collected in 1991 (Utusan Malaysia, March 1992). Similarly, a recent report by the chairman of the Pahang Darulmakmur State Local Government and Consumer Affairs Committee confirmed that non-compliance rates are still high. He reveals that all district councils in the state collected only 18% of income from rates (The Star, July 1996).

In highlighting the importance of assessment tax to all local authorities as a local tax system and the endless problem of non-compliance of local tax in Malaysia, it is essential to evaluate the efficiency and productivity of the local tax administrative system. Although the Royal Commission carried out a comprehensive investigation this was more than twenty-six years ago. The Commission was not really focused on the issue of the efficiency and productivity of the rating administrative system but concentrated on the structure of local government itself, rather than ratepayers or assessment taxpayers. It ignored questions such as:

- Was the existing local taxation system effective, fair and equitable to the taxpayer?
- Were local authority collection staff committed to their work?
- How did the taxpayer perceive the quality of services provided by the local authority?
- Was the taxpayer satisfied with the service provided by the local authority?
- Was the taxpayer well informed about the way that local authorities spent their money?

It is important that all these questions be addressed in assessing the efficiency and productivity of the local taxation administration system. This thesis attempts to answer these questions - in particular whether a positive response to each of these questions would lead to an improvement in taxpayer compliance behaviour. Prior to this study, little interest has been shown by any researchers, either individually or collectively as institutions, to investigate the very real problem of the high level of uncollected tax faced by the Malaysian local authorities and demonstrated in Table 1.1.

1.3 Research Problems

The efficiency and productivity of tax administration and voluntary compliance by the taxpayer are prerequisite to any tax system in order to maximise the collection of taxes and minimise lost income (including interest on uncollected income). Voluntary compliance is an essential requirement in any tax system if it is to be the most economical way of collecting taxes. Non-compliance behaviour not only effects the public provision of goods and services but also alters the distribution of income (Kelly and Oldman, 1973). Further, non-compliance is unfair to those who pay, and may ultimately lead to more coercive enforcement. Most researchers agree that the attitudes and perceptions of taxpayers towards the structure of a tax system influences taxpayer compliance behaviour.

Tax collection rules and procedures are the main issues relating to efficiency and productivity of tax administrative systems (Mikesell, 1974 and 1996). Whether any tax system achieves the goals of the society, as expressed in legislation, depends on the success of the tax administrators in carrying out these rules and procedures. Tax

administrators must devise evaluation criteria for their employees that should reinforce or link the administrative objectives of the systems. Further, employee productivity is not enhanced unless systems of work are well designed and fairly operated and rewards and remunerative seen as reasonable by employees.

Highlighting the importance of all these factors is crucial for present day tax administrators. It is therefore crucial that tax administrators take a holistic view, recognising the importance of not only a systematic approach to their work but also the behavioural aspects which are essential in administering tax collection. This is required in order to operate successfully when voluntary compliance is seen as the key to a high level of tax collection. This study therefore attempts to examine and investigate the efficiency and productivity of tax administrative systems, and taxpayer compliance behaviour in the long serving rating system, as the only local taxation system in Malaysia within this framework.

1.4 Research Questions

This study responds to the urgent need to investigate the efficiency and productivity of the assessment tax administrative systems and the local taxpayer compliance behaviour by providing answers to the following questions: -

- 1) What are the factors associated with the poor assessment tax collection performance of local authorities in Malaysia?
- 2) Is there any difference in terms of the efficiency and productivity of the assessment tax administrative systems between local authorities with high collection performance and local authorities with medium collection performance and local authorities with low collection performance?
- 3) Is there any significant difference in the perceptions of assessment taxpayers about tax compliance factors between local authorities with high collection performance and local authorities with medium collection performance and local authorities with low collection performance?

1.5 Research Objectives

The objectives of this research are to:

- 1) Identify and empirically investigate the factors associated with assessment tax collection performance in the context of Malaysian local authorities that have experience of high collection of assessment tax revenue as opposed to local authorities with medium collection performances and local authorities with low collection performances.
- 2) Develop a model that could explain the factors which are associated with high collection of assessment tax revenue.
- 3) Investigate whether there is a difference in terms of the efficiency and productivity of the assessment tax administrative systems between local authorities with high

collection performances and those with medium collection performances and low collection performances.

- 4) Investigate whether there is a significant difference in the perceptions of assessment taxpayers towards tax compliance factors between local authorities with high collection performances and those with medium collection performances and low collection performances.

1.6 Significance and Contribution of the Study

As stated earlier, local property assessment tax or 'rates' in Malaysia is the only form of local taxation, contributing more than sixty per cent of the self-generated revenue of local authorities. This high level of dependence on this source of income, coupled with the problem of high uncollected revenue from assessment tax is of major concern to local authorities and the Malaysian government. Prior to this study, no detailed work has been carried out to investigate the cause of this high level of uncollected revenue or to advance solutions to the problem.

The study, therefore, will make a significant contribution to the body of knowledge in the area of local government finance in a developing countries, such as Malaysia, by for the first time examining the efficiency and productivity of the local tax administrative system and taxpayer compliance behaviour.

Studies of the efficiency and productivity of tax administrative systems carried out elsewhere are often centred on the national tax system, especially the income tax administrative system. Fewer studies exist about the efficiency and productivity of local taxation systems, and none at all in less developed countries. Those studies that

do exist have concentrated on efficiency and productivity in the national tax system.

This study develops and explores three other variables, namely:

- the local tax collection system itself;
- the organisational commitment of local authorities' staff; and,
- the work system designed in this area

in relation to the existing literature in assessing the efficiency and productivity of the tax administrative system.

Two models of taxpayer compliance, namely the financial self-interest model and an expanded model that includes non-economic variables, are widely used in assessing taxpayer compliance behaviour. Again, most of the previous research focuses on income taxpayer compliance behaviour, especially in the United States. This study adopts the expanded model (with non-economic variables) to investigate taxpayer compliance towards the existing Malaysian local tax (i.e. Assessment Tax) system. As an additional contribution to the model, two other variables - quality of service delivered and disclosure of financial information - are included to find out whether these variables had any influence on taxpayer compliance behaviour.

The findings of the study will be useful for giving guidance in developing a model that could explain the real determinants of property tax collection relating to Malaysian (and other) local authorities. This model will be helpful in providing reliable forecasts of the revenue potential for each local authority that would then aid in planning for development of the infrastructure and other social services.

The findings will also significantly assist the state government, specifically, and federal government generally (i.e. the Ministry of Housing and Local Government of Malaysia), to restructure the present local tax systems. It is anticipated that this has the potential to make a significant improvement in the level of local taxes successfully collected. This could then allow local authorities to devote more resources to front line service delivery.

1.7 Summary of Findings

This research studied two aspects of ‘assessment tax’ collection in Malaysian local authorities. These are:

- the efficiency and productivity of the assessment tax administration system; and,
- assessment taxpayer compliance behaviour.

The results of this study indicate that there is a difference in terms of efficiency and productivity of the assessment tax administrative systems between local authorities with high collection performance and local authorities with medium and low collection performances and this is due to a variety of factors. It appears that local authorities with high collection performance are more efficient and productive compared to local authorities with medium and low collection performances. In general the factors associated with efficiency and productivity of tax administration are consistent with the attributes suggested by Mikesell (1974 and 1996). The high-commitment work system approach, which is recommended by Beer *et al.*, (1984) and Walton (1985), appears to explain the better performance of the high tax collection local authorities.

Though the factors of tax compliance behaviour are, in general, consistent with the income taxpayer compliance model, two more factors are added to the model: quality of service delivery and financial information. These two factors further help to explain the assessment taxpayer compliance behaviour toward assessment tax collection performance. Thus, this provides support for Oates (1969) and Maschmeyer and Daniker (1979). In comparing different collection performance categories, the findings indicate that taxpayers in the local authorities with high collection performance have a positive attitude towards the existing assessment tax system compared to those in local authorities with medium and low collection performances. Interestingly, the majority of the respondents in this study perceived that the availability of more or better financial information could influence their compliance behaviour toward assessment tax.

Implications for management practice and research are also presented with suggestions for improvement in current management practice given in almost all the findings of this study. Further, the way this research was conducted has the potential, to some extent, to provide a practical solution to the problem being faced by all local authorities which have difficulty in collecting the assessment tax. A number of suggestions are also offered for future research.

1.8 Organisation of the Thesis

This thesis is divided into eight chapters. Chapter Two specifically discusses the background of the Malaysian assessment tax system. An overview of the current structure of Malaysian local government is given. This includes issues such as the constitution and division of authority, position of local government, the restructuring outcome and enabling laws, and local authority functions. The second part of the chapter covers the present system of assessment tax. As an introduction to assessment tax system, a general background to the system is briefly highlighted, followed by its contribution to local authorities, and finally the problem of the assessment tax arrears.

The literature review and hypothesis development is divided into two chapters. Chapter Three provides a review of the taxpayer compliance theory from various perspectives, followed by a discussion on each attribute that related to taxpayer compliance behaviour. Seven related hypotheses are then developed and tested. Chapter Four presents a review of the administration of the tax system, which is followed by a discussion about each attribute associated with the performance of the assessment tax collection. This chapter also identifies seven related hypotheses that are tested in the study.

Chapter Five begins with a description of the research design and sampling procedures employed in this research. The major classes of research designs are discussed, and the rationale for the present choice is explained. Weaknesses and limitations of the research design are also acknowledged. This chapter also contains the operational definitions of each of the study variables. A description of the instrument used in the

study is also provided. This chapter also presents the reliability and validity analyses of the instrument used in the study. To assess the reliability coefficients of the research instrument Cronbach's alpha, which measures the internal consistency of the items, is used.

Chapter Six reports the results of hypotheses testing pertaining to the efficiency and productivity of the assessment tax administration. Ratios and trend analyses are used to indicate the efficiency and productivity of tax administration systems between local authorities with high collection performance and local authorities with medium and low collection performance.

In Chapter Seven results from the testing of hypotheses of taxpayer compliance behaviour among the three local authorities in this study are presented. The analysis of variance (ANOVA) technique is used to examine the statistical differences between mean scores of taxpayer compliance factors among assessment taxpayers of the three local authorities with different levels of collection performance. Scheffe multiple comparison tests are then carried out to examine which particular pairs of groups differ.

Finally, Chapter Eight summarises the conclusions drawn from this study. Discussions about the findings of this study are provided and the implications of this study for both research and practice are considered.

Chapter 2

INTRODUCTION TO THE MALAYSIAN 'ASSESSMENT TAX' SYSTEM

2.0 Introduction

This chapter, divided into two parts, presents an introduction to the Malaysian assessment tax system. The first part outlines the current structure of Malaysian local government and initially reviews the Malaysian Constitution and the division of authority between federal, state and local governments. Local government administration and the position of local government in Malaysia are discussed, followed by a brief review on the outcomes of the 1976 local government reorganisation (LGA, 1976). The most significant changes to the local government system followed the passage of the Local Government Act 1976 which set a new structure for local government in Peninsular Malaysia.

The second part of the chapter reviews the current local tax system known as “assessment tax”. An outline of the history of rating in Malaysia, as a general background to local authority taxation systems, is then briefly discussed. This is followed by a description of the present structure of the assessment tax system. As “rates” is the only form of local taxation it is a vital source of revenue for financing the activities and services provided by local authorities to the public. Accordingly, this

section also highlights the contribution that assessment tax makes to the revenues of local authorities in Malaysia.

In theory a totally effective local tax system would leave no arrears at the end of the year but in practice an effective collection system would allow for acceptable level of arrear. The theoretical ideal is, however, never likely to be reached, particularly in a democratic society (Kelly and Oldman, 1973). The final section of this chapter discusses and details the problem of uncollected assessment tax revenues in Malaysian context.

2.1 Local Government System

2.1.1 Constitution and Division of Authority

The position of local government in any one country is inevitably linked to the political functioning of the extant Federal-State-Local government structure. Local government is defined by the United Nations, and quoted in the Nahappan Report (1970, p.29) as:

... a political sub-division of a nation or (in a federal system) state which is constituted by law and has substantial control of local affairs, including the power to impose taxes or exact labour for prescribed purposes.

In Malaysia, the relationship between federal, state and local government is clearly outlined in the Federal Constitution. It is therefore considered necessary to highlight the Constitution and the division of authority between the various components of the Malaysian governmental structure before examining in detail the institution of local

government. This will provide a clear picture of the relationship in terms of division of authority between central, state and local government in Malaysia.

The constitution of Malaysia is based on the principles of a parliamentary democracy, and provides for a constitutional monarch as supreme head of the country. This individual is elected to the throne for a five-year term from one of the hereditary rulers of the nine states which make up the Malaysian Federation. The names and location of these states are detailed in Appendix 2.1.

Parliament is comprised of a Senate (Dewan Negera) and a House of Representatives (Dewan Rakyat). The House of Representatives consists of 192 elected members, who are elected for a five-year term. The Senate consists of 69 members of whom the King, on the advice of the Prime Minister, appoints 40, with 27 being elected by State Legislatures and 2 members representing the Federal Territories of Kuala Lumpur and Labuan.

The Federal Constitution in Malaysia clearly divides the authority of the Federation into its legislative, judicial and executive functions. The division of authority occurs both at federal and state level, as is in keeping with the concept of federalism which forms the basis of government administration. There are three levels of administrative machinery, federal, state and local government.

The highest bodies in the federal administrative machinery are the ministries. They are organisations that carry out the responsibilities entrusted to the government (see Appendix 2.2 - A List of Ministries and their Departments). Each ministry has

branches at state and district levels. This mechanism includes such bodies as the National Action Council, the National Economic Council, and the National Security Council.

With regard to the state administrative mechanisms, each state has its own assembly whereby the Chief Minister of the State acts as the chief executive of the State Government. At the state level, the State Secretariat is the highest administrative office and is headed by the State Secretary. He also acts as the chief advisor to the Chief Minister of the State and the State Executive Council (EXCO). Administration within the state is carried out at district and county levels. Normally, the local authority is the administrative mechanism at the district or county level for every state.

Malaysia is a multi-racial, multi-cultural, multi-religious and multi-lingual society. There are three major races among Malaysia's population of 20 million. They are:

- 1) Malays and other indigenous races;
- 2) Chinese; and,
- 3) Indians.

The Malays and other indigenous races make up 57 per cent of the population, while the Chinese comprise 33 per cent and Indians 10 per cent.

Given the ethnic composition of the Malaysian population, communalism has always been a dominant aspect of Malaysian politics, and is likely to remain so. The independence of Malaysia 40 years ago was greatly expedited by the ability of the three main component communities to establish one strong political party, which secured the mandate of the majority of the population. The unity of these three main

communities was one of the factors that influenced the decision of the British Government to grant independence to Malaya in 1957.

As a multi-racial country, the concept of power sharing or coalition of political power has proved a pragmatic solution to ensure political stability in a democratic context for the country. Since Independence in 1957, the concept of coalition of political power between the Malay⁷, Chinese⁸ and Indian⁹ parties - known as the Alliance Party, then later as the National Front - has been the government of Malaysia¹⁰. Under this coalition system, the leaders of the component parties usually developed close personal friendships with each other which resulted in a communal compromises in which the interests of all were taken into account (Norris, 1980). This type of system, which political scientists label as “consociational”¹¹, was one in which communal issues were settled through compromises or negotiations reached in private between the leaders who enjoyed the support of their respective communities (Phang, *et al.*, 1988), rather than being openly debated.

Although the United Malay National Organisation (UMNO) is accepted as the leading party in the National Front coalition there are tensions among the various partners (Norris, 1980). Major challenges to the National Front also come from two opposition parties, the DAP, Democratic Action Party, whose support comes mainly from the

⁷ United Malays National Organisation (UMNO) is the leading party in the coalition.

⁸ Malaysian Chinese Association (MCA) is the second largest party in the coalition.

⁹ Malaysian Indian Congress (MIC) represents Indian communities.

¹⁰ Malaya gained independence from Britain on 31st August 1957, then became Malaysia in 1963 after the two states from Borneo Island, i.e. the State of Sabah and Sarawak, joined Malaya.

¹¹ The principle or practice of political consociation. Consociation, as defined by the Oxford English Dictionary (1993) is ‘a political system in which power is shared by representatives of different or antagonistic social groups’.

Chinese and the Pan Malaysian Islamic Party (PAS) whose support comes mostly from Malay Muslims.

In the next section, political penetration at the local government level will be further discussed with regard to the appointment of the President and the councillors for each authority.

2.1.2 The Position of Local Government

In Malaysia, as in a number of other countries, there are many ways to raise income, and various levels of government - Federal, State and Local Government - to raise them. Local government in Malaysia, by the provision of the Federal Constitution, is a national subject (Ismail, 1989, p.121) and local authorities are a creature of the state (Section 3 of the Local Government Act, 1976). In terms of legal competence, local authorities possess only infra-sovereign status as opposed to the State governments, which have quasi-sovereign competence, and the Federal government, which is sovereign.

Local government¹² in Peninsular Malaysia comprises City Halls (CH), City Councils (CC), Municipal Councils (MC) and District Councils (DC), with CCs and MCs located in the urban and city centres or State Capitals (see Table 2.1 and 2.2 for the

¹² The terms 'local government' and local authority' have been freely and interchangeably used without any distinction in meaning. Local government, however, is a generic term covering all categories of local authorities, whereas a local authority refers to a particular category, such municipal council, district council, county council, etc., of local government (Nahappan Report, 1970).

local authority distribution). The DCs are located predominantly in rural areas with a small urban core as the base (Ahmad, 1989).

Table 2.1: Local Authorities in Malaysia, 1990

Category	Peninsular	Sabah	Sarawak	Total
City Halls	1			
City Councils	2	-	2	4
Municipal Councils	14	4	2	20
District Councils	79	22	25	118
Total	96	26	29	142

Source: Ministry of Housing and Local Government

Determination of the status of MCs or DCs is based on certain criteria and guidelines that were formulated by the National Council for Local Government (NCLG)¹³. The basic distinction is that the MCs have annual revenues of not less than Ringgit Malaysia (RM) 5 million and serve populations of more than 100,000 people. The MCs must also have a well-organised administrative centre within the core area, and the local demand on the administration should be more for local government or municipal services than for infra-structural development. The status of the City Council also requires the concurrence of the Conference of Rulers¹⁴ and is conferred by the constitutional monarch.

¹³ As provided for in Section 95A of the Federal Constitution, the NCLG is the highest policy making body for local government matters and whose decisions are binding on both the Federal and State Governments.

¹⁴ The Conference of Rulers was established by the constitution and consists of Rulers of all states. The prime duty is the election of the King and his deputy. The Conference of Rulers must be consulted on the appointment of judges, the Attorney General, the Election Commission of the Public Service, matters relating to land, religious and privileges pertaining to Malays.

Table 2.2: Local Authorities in Peninsular Malaysia

State	City Council	Municipal Council	District Council	Total
Perlis		1	-	1
Kedah		2	9	11
Perak	1	1	13	15
Selangor		3	8	11
Negeri Sembilan		1	7	8
Melaka		1	2	3
Johor		1	13	14
Pulau Pinang		2	-	2
Trengganu		1	6	7
Pahang		1	9	10
Kelantan		1	11	12

Source: Ismail, M. A. (1989).

Those local authorities that do not fulfil the above requirements are classified as district councils. The DCs are basically rural and are located outside major urban centres, and have populations of less than 100,000 living in a dispersed and uncrowded rural environment. Their annual revenue is less than MR5 million and on average they are less capable of undertaking their functions because of insufficiencies in their resource base. This lack of resources covers manpower, financial, and organisational structures (Hizam, 1991). Local authorities, as stated above, are infra sovereign, subordinate and subject to the control of the State government. They are, however, separate legal entities, whether in the form of a MC or a DC. Figure 2.1 highlights the relationship between the Federal, State, and the Local Governments, which pertains to the structure of local government in Malaysia as well.

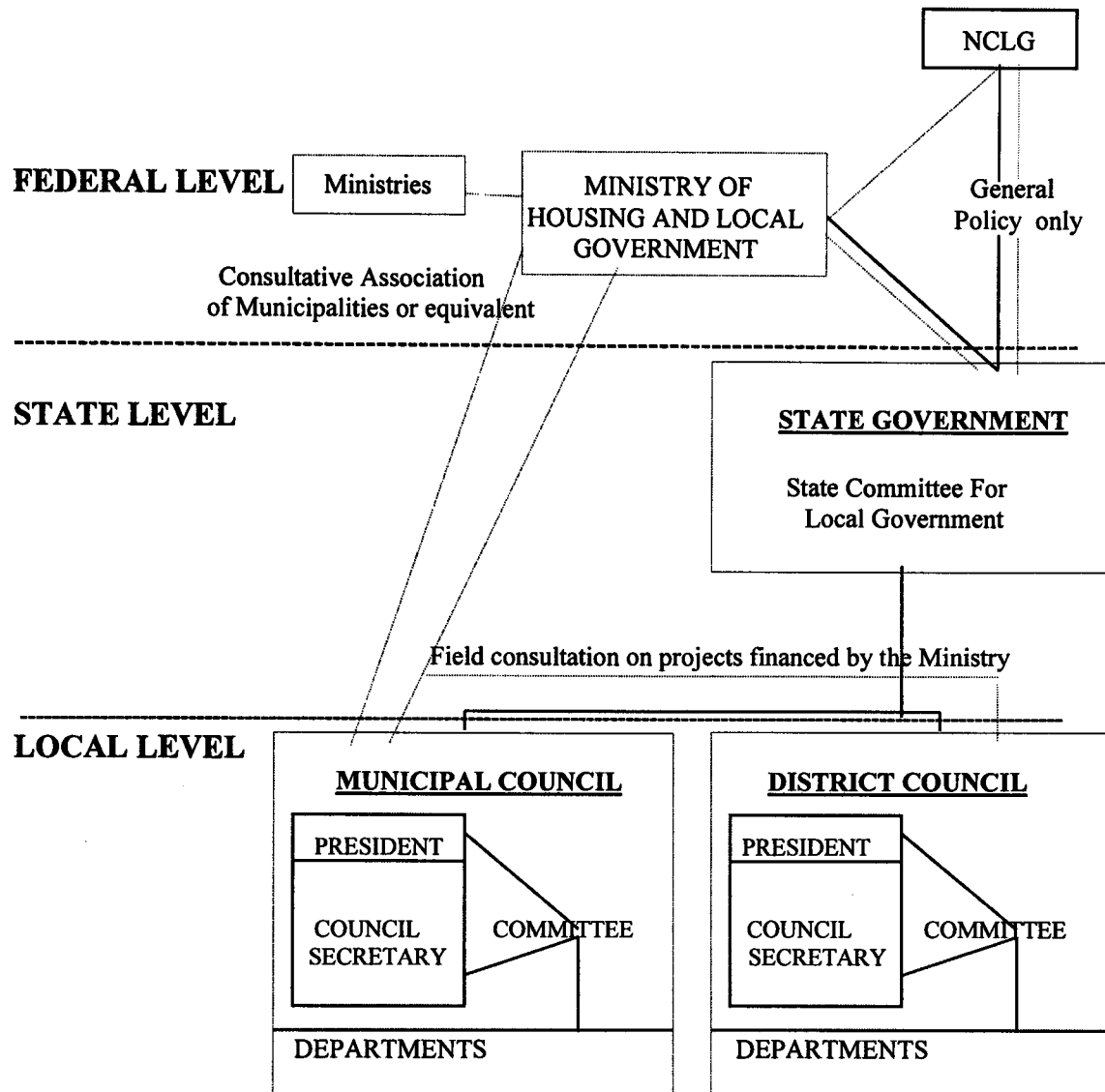
Each local authority is a corporate body and has perpetual succession and a common seal which may be altered from time to time, may sue or be sued, acquire, hold and sell

property, and generally do and perform such acts and things as bodies corporate may by law be permitted (Section 13 of the Local Government Act 1976). This corresponds to the three general criteria that have been laid down by the Bureau of Census in the United States, as quoted by the Nahappan Report (1970), in determining the status of local government.

- Firstly, it must have existence as an organised entity with such corporate powers as the right to sue and be sued, to make contracts and to own property,
- Secondly, the unit must possess governmental characteristics, and;
- Thirdly, it must enjoy substantial autonomy as evidenced by fiscal and administrative independence, subject only to the requirements of State law and supervision¹⁵.

¹⁵ See the United State Department of Commerce, Bureau of Census, Governments in the United States in 1952, State and Local Government Special Studies, No. 31, Washington D.C, pp 6-7.

Figure 2.1: The Structure of Local Government



Source: Norris M.W. (1980).

Key:

----- Lines of consultation and co-ordination
 ——— Lines of authority and control

NCLG The National Council for Local Government (NCLG)¹⁶

¹⁶ NCLG comprises of not more than ten cabinet ministers and all Chief Ministers of the States in West Malaysia. However, the Federal Constitution, as part of an agreement in the formation of Malaysia, allows the States of Sabah and Sarawak (East Malaysia) to use separate laws and ordinances in several subjects, one being local government. The Constitution also provides that they sit only as observers in the NCLG and are not bound to follow or agree to other decisions of the NCLG (Article 75A of the Federal Constitution). The Chairman of the NCLG is the Minister of Housing and Local Government.

Local authorities are administered by a President and nominated councillors. For the District Council, the District State Officer is appointed by the State Authority (Section 10, LGA 1976) as President. This is due to a direct connection between the District Council and the District State Office. This appointment, i.e. the District Officer becomes a District Council President, show how delicate and sensitive the position of the District Officer is in the context of Malaysian culture and politics. As for the Municipal Councils, the Presidents are normally appointed from members of the civil service. For example, the Penang State Secretary was acting as the President of Penang Municipal Council for some time and he continued to retain the post of President of the Council after his retirement as the Penang State Secretary (see Phang *et al.*, 1988).

In other cases, like the Klang Municipality, the President is a seconded superscale¹⁷ officer from the Federal Government. This phenomenon appears to be common practice for most municipalities in Malaysia. There are instances, however, as in the States of Pahang, Malacca, Negeri Sembilan and Trengganu, where the President is the Chief Minister himself. In this case, the MCs will have a Deputy President. Apart from the Chief Minister, there are four other municipalities lead by the Members of State Assembly. As a whole, it can be said that 50% (8 out of 16 MCs) of the Council Presidents in Peninsular Malaysia are politicians that may have some influence in the State Government (The Star, 1996). Due to the fact that Malaysian politics is strongly controlled by the ruling National Front party, this means that almost all-council policies and administrations are monitored and controlled by the federal and state governments.

¹⁷ The hierarchy of position in the public services sectors in Malaysia.

With respect to the appointment of councillors Section 10 of the LGA 1976 provides guidance in selecting and appointing the councillors of local authorities. The Section reads:

Councillors of the local authority shall be appointed from amongst persons, the majority of whom shall be persons ordinarily resident in the local authority area, who in the opinion of the State Authority have wide experience in local government affairs or who have achieved distinction in any profession, commerce or industry, or are otherwise capable of representing the interests of their communities in the local authority area.

Although the provision allows councillors to be appointed from a wide range of local people, in practice the councillors in both the MCs and DCs have been appointed on a narrow political basis (Phang, 1989). It is widely believed among the general public that councillors who have been appointed by the councils are local political leaders of the State and Federal governing party. These appointments are regarded as political rewards (Phang, 1989). There is, however, much behind the scenes political wrangling among the major component parties in the National Front when it comes to the decision about who should be appointed by the State Government. If there is no agreement or compromise achieved between them, the local authorities are forced to function without any councillors until the issue is resolved.

The appointment of each councillor is not to exceed three years (Section 10(3), LGA 1976). This means that they may be re-appointed again as councillors. Some will be re-appointed for another term while others may not. It depends on the relationship of councillors with their political party and the National Front or maybe with their political master. This phenomenon will create political lobbying, especially prior to the appointment of the councillors when each component party has to bargain for the

number of seats it will be allotted. However, it is clearly stated in the LGA 1976 that on matters concerning the appointment of local authority councillors the State government has the final say.

2.1.3 Restructuring Outcome and Enabling Laws

The restructuring exercise¹⁸ in 1976 redrew the boundaries of local authorities while at the same time reducing their number through amalgamation (see Appendix 2.1 - the status of local authorities in Peninsular Malaysia before and after 1976). The primary aim of restructuring local authorities in Malaysia as proposed in the Royal Commission Report (also known as Nahappan Report) was to ensure that a local authority should cover every inch of the country. Thus, when the restructuring process began with the implementation of the Local Government Act 1976 (Act 171), the ultimate aim was that by the end of the process all territories in Malaysia would be under some form of local authority.

¹⁸ The objectives of the restructuring exercise in local government in 1976 were as follows (Norris, 1980, p110):

- 1) to develop a system of local government within which local authorities can adopt uniform laws and policies as well as carry out uniform functions and activities, so facilitating central control;
- 2) to ensure effectiveness in the role of local authorities, in terms of local participation in local government affairs;
- 3) to ensure that local authorities become viable units and are able to function for the satisfaction of ratepayers;
- 4) to enable local authorities participate actively in local development projects;
- 5) to turn local government units into competence authorities for town planning and development planning;
- 6) to ensure that all administrative and developmental activities of local government organisation accord with the policies of the federal and state government.

Total incorporation, however, was not followed, except by the States of Kedah, Penang and Malacca and the Federal Territory of Kuala Lumpur (i.e. only four out of twelve states in Peninsular Malaysia are completely covered by local authorities). Most states, according to Phang *et al.* (1988), turned local authority areas into an 'octopus', dotted with patches as well as nucleus clusters, concentrating only on those areas where people lived in close proximity to the central areas that were considered to be financially and economically viable, as well as within easy distance for the provision of basic cleansing services. This means that those areas formerly under the local authority administration that were considered to be financially burdensome or a liability to the council were left out¹⁹ during the process of restructuring.

An interesting result emerged from the 1976 restructuring in that although local authority areas, as proposed by the Nahappan report (1970), do not cover every inch of the country, the assumption has been that at least a large area of the country is under the local authority administration. But there has been little expansion of the area gazetted as local authority areas when compared to the primary aim of the restructuring process. Only 8,670.73 square miles out of the 50,806 square miles total area of the Peninsular, or 17.07%, are under local authority jurisdiction (Phang, 1985). It has, however, improved compared to the period prior to 1976, when only 1,721 square miles or 3% of the country (Nahappan Report, 1976) was covered by local authorities.

The Federal Government further reinforced the 1976 local government restructuring with the enactment of a set of laws. These laws were to enable and empower local

¹⁹ Not under the local authority jurisdiction.

authorities to perform their functions and tasks efficiently and effectively. The three parent laws enacted for that purpose are the:

- Local Government Act 1976 (LGA 1976);
- Street, Drainage and Building Act 1974 (SDBA 1974); and,
- Town and Country Planning Act 1976 (TCP 1976).

Of the three Acts, LGA 1976 is the instrument that was responsible for the new set-up of local government in Peninsular Malaysia. It is a legal instrument for local authorities to follow when implementing bye-laws and fulfilling their daily functions and tasks. It also empowers the State Authority to create a local authority, assigning to it the status of either a Municipal Council or a District Council.

The next section will briefly discuss the function of the three parent laws.

2.1.3.1 Street, Drainage and Building Act (SDB) 1974

Prior to this Act, the provisions of the law relating to street, drainage and building were to be found in the various local government enactments or ordinances applicable to each state. The Street, Drainage and Building Act 1974 (SDB 1974) was therefore designed to achieve uniformity of laws and policies applicable to all local authorities in Malaysia. The SDB 1974 prescribes the procedures required for controlling the development of buildings and the infrastructure facilities of any area of a local authority. These include powers such as: proper access roads to buildings; service roads and lanes where necessary, as in the case of terrace or shop-houses or flats; traffic circulation and car parks, as in the case of multi-storey commercial buildings or

industrial buildings; modern sanitation systems for disposal of sewage and waste water; and proper drainage system from premises.

2.1.3.2 Town and Country Planning Act (TCP) 1976

The previous legislation on town and country planning was contained in various Town Board Enactments and rules and regulations made under each state were inadequate for the restructured local government. The TCP 1976 is designed to provide a comprehensive and uniform law relating to town and country planning. The TCP 1976 gives a sole power to the State Authority with respect to planning the state but state planning has to be in line with the framework of the national policy. Under the TCP 1976, the State Authority has a power to designate the local authority as a Local Planning Authority (LPA). As LPA, the local authority is responsible for preparing: (a) the structure plans, and (b) the local plans. These two plan form the development plan of the area (local authority's area). Part III of the TCP 1976 lays down detailed procedures for preparing the development plan. Therefore, under the TCP 1976, the local authority acts not only as the LPA but also as the development agent for the area under its jurisdiction.

2.1.3.3 Local Government Act (LGA) 1976

Even though all three parent laws are of significance and necessity to the smooth operation of local authorities on business, it can be said that the Local Government Act 1976 is the 'back-bone' of local government in Malaysia. The Act defines in detail the functions of local authorities and prescribes what can and cannot be done by them. The

core of the Act is about the performance of obligatory functions and the Act also allows local authorities to exercise their powers to carry out discretionary services.²⁰

In the context of this thesis an inability to finance services as results of failure to collect assessment taxes and the unwillingness of the state government to provide additional finance could result in the withdrawal of discretionary services. This has the potential to reduce the quality of life for residents of the local authority. Obligatory and discretionary functions are not clearly defined in the Act, but the expectation is that all local authorities will perform the basic functions of community maintenance while activities of a developmental nature are optional and subject to each local authority's capabilities and funding.

The LGA 1976 also gives clear provisions regarding local authority administration and nomination of councillors by the State Authority. Terms of employment and rules and regulations concerning staff are also provided in the Act. There is an important provision in the Act that was not covered by previous legislation concerning local authority sources of finance, especially Sections 41-49 of the LGA 1976 whereby the local authority was given the power to raise loans with the consent of the State Authority. Other important features included in the Act relate to the rating and valuation of properties. They provide for differential rating, enabling local authorities to impose different rates in respect of different classes of properties or according to their usage. This means that there is flexibility for the local authority in operating its rating and valuation functions.

²⁰ Normally the larger local authority has the ability to take up what may be described as discretionary functions. As a matter of priority, local authorities should concentrate mostly on the performance of their obligatory functions.

There is no clear-cut distinction between the obligatory and discretionary services provided in the LGA 1976. However, the Act has listed several categories of services that have to be carried out by the local authority, for example Sections 63-68 (Public Places); Sections 72-84 (Food, Market, Sanitation and Nuisances); Sections 107-126 (Miscellaneous including Licensing); and Section 101 (Further Powers of Local Authority) (see Appendix 2.4).

The following section will briefly discuss the services that can be performed by the local authorities in their respective areas.

2.1.4 Local Authority Functions

The LGA 1976 and restructuring, together with the TCP 1976 and the SDB 1974, have given local authorities functions beyond the conventional role of 'refuse collector and sanitary inspector' or general maintenance functions, to those of urban development and management. Under the provisions of the related local government laws, local authorities may carry out a whole range of functions limited only by their own ambitions and resources. Basically, the functions of the local authority can be classified into five main categories (see Phang, *et al.*, 1988; Ismail, 1989; and Alias, 1994):

- 1) Environmental
 - 2) Public Amenities
 - 3) Public Health and Cleansing
 - 4) Social
 - 5) Development
-

2.1.4.1 Environmental Functions

The environmental function relates to services that local authorities undertake to maintain or improve the existing environment of their area. These are considered as obligatory services (see Appendix 2.5), as classified by the Local Government Division of the Ministry of Housing and Local Government, for the local authorities to provide for their constituents (MHLG, 1991). The services covered include, for example, cleansing including the collection and disposal of solid waste; recreational facilities; street lighting; and proper drainage and sewage systems. Apart from the above services, local authorities have to comply with Section 101 of the LGA 1976 and carry out other works such as planting, trimming or the removal of trees and shrubs; construction and maintenance of public parks and gardens and also contributions towards supporting playing fields, play grounds, swimming pools and open spaces. In short, it can be said that the local authorities should execute work of general benefit to their locality and the environment within their area.

2.1.4.2 Public Amenities Functions

Under the public amenities function, local authorities should provide the following services, whereby they can charge a nominal fee. These services are the provision of abattoirs, veterinary care, transportation, public libraries, burial grounds and crematoria, art galleries and museums. These services are considered to be non-obligatory services (see Appendix 2.5). As a result of this, only municipalities that have strong financial backing and other resources such as manpower provide such services. Fire services and electricity and water supply used to be local authority

functions but have now been withdrawn and assigned to the federal government and to special statutory bodies (see Appendix 2.6).

2.1.4.3 Public Health and Cleansing Functions

Public health and cleansing functions are shared between Federal, State and Local Governments. Even though there is some duplication and overlapping of the functions between federal and state agencies, basic public health and cleansing have a high priority and are an extremely important service provided by local government. Typical public health and cleansing services provided by local authorities include:

- the provision of sanitation, sewerage, and maintaining general public health amenities; and,
- providing and sustaining a system of refuse collection and disposal, cleaning drains and roads and the general upkeep of the environment.

The licensing of hawkers, stall holders, shops and businesses as a means of checking on the cleanliness of eating premises as well as the general health of the operators²¹ is also carried out by local authorities. Thus local authorities play an important role in safeguarding and promoting public health by taking all necessary and practical measures to maintain at least a minimum health standard to be practised and adhered to by businesses. This is an obligatory function for local authorities.

²¹ These operators are required to undergo a mandatory vaccination in order to maintain a high standard of quality foods and drinks served to the public.

2.1.4.4 Social Functions

The Local Government Act 1976 provides for local government to perform social functions. This includes education, welfare services, childcare centres, health clinics, old people's homes and homes for the disabled. These type of services have low priority due to the placement of the roles and activities under the purview and jurisdiction of special bodies, that is the Ministry of Culture, Arts and Tourism, responsible to the state and federal governments. Apart from that, the state also has its own division of culture, arts and tourism headed by the State Executive Officer which provides similar roles and functions to that of the Ministry.

Larger municipalities, however, still maintain childcare centres and clinics within their health care services, as well as providing ambulance or hearse services and also maintaining fountains and arranging for lighting public streets and public places. Local authorities are also involved actively in ad hoc social activities by both the federal and state governments.

2.1.4.5 Development Functions

Although the Local Government Act 1976 allows local authorities to take part in development projects not many of the MCs and DCs have the capacity, in terms of finance and manpower, to carry out development programmes. Therefore, these functions are considered to be 'non-obligatory'. Development projects like housing, shopping malls, swimming pools, gymnasiums, community halls and markets require substantial sums of money to build and maintain. Normally, the federal government,

with a little help from the state government, provides the financing for most of the development projects carried by local authorities by way of grants. In some cases, local authorities, with the consent of state authority, raise their own funding through loans from either the federal or state governments (or both), or from financial institutions. Recently, the concept of partnerships between local authorities and private sector companies has been proving more popular. Under this type of arrangement, private companies provide funding and local authorities identify the strategic location for the projects (Coombs and Tayib, 1996).

Based on previous studies, it could be said that most of local authorities in Malaysia concentrate on their mandatory or obligatory functions, mainly refuse collection and disposal, street and drain cleaning, grass cutting, sanitation, regulating and licensing of trade and business houses and also maintenance of limited public amenities and facilities (see for example, Phang *et al.*, 1988; Ismail, 1989 and 1991; Alias, 1994). The study conducted by Ismail (1989) reveals that between 80% and 342%²² of self-generated revenue of local authorities is spent on recurrent expenditure.

The next section explores more details about the main source of the income for local authorities.

²² This analysis was based on the accumulated arrears.

2.2 Local Assessment Taxes (Rates)

This section will discuss and review the assessment tax as a primary source of self-generated income of the local authorities. Other sources of self-generated income, as provided for under Section 39²³ of the LGA 1976, include rentals, licences and permits, service charges, interest and dividends, fines, sales of goods fees, and other support service charges beyond the scope of this study.

2.2.1 Background to 'Rates'

The origin of 'rates' is not known exactly but in England it can be traced back to the mid-thirteenth century when it became formalised with the Poor Law Act 1601. This Act clearly stated that occupiers were to be rated on certain property such as land, houses, tithes impropriate, appropriations of tithes, coal-mines, or saleable underwoods (see Cannan, 1927).

²³ Under this Section the types of revenues that could be collected by local authorities in Malaysia include the following:

- (a) all taxes; rates, rents, license fees dues, and other sums or charges payable to the local authority;
- (b) all charges or profits arising from any trade, service or undertaking carried out by the local authority;
- (c) all interest on any monies invested by the local authority and all income arising from, or out of, the property of the local authority, and
- (d) all other revenue accruing to the local authority from the state and federal government or from any statutory body. This includes sources such as grants, contribution and endowments.

One source of debate has been whether a rate is different from a tax. There seems to be agreement that assessments of property tax and rates have the same meaning but the term 'rates' and 'tax' are open to different interpretations. However as explained by Cannan (1927, p. 4):

...the real difference between a rate and a tax, which is not, a rate appears to lie entirely in the manner in which the financial problem of raising money is approached. In the case of a tax, the taxing authority decides that individuals shall make particular payments on particular occasions, and the aggregate sum is received depends on how much these payments add up to. In the case of a rate, the taxing authority decides how much money it wants in the aggregate, and this amount is raised by apportioning the payment of it between the various ratepayers in accordance with some definite standard made for the occasion or already in existence.

Therefore, 'rates' in England were distinguished from 'taxes' at an early stage, when revenue from particular taxes was fairly unpredictable and generally less than the tax authority hoped to collect.

In modern times the revenue from a particular tax can usually be predicted quite accurately, but this was not always the case (Gillie, 1992). An alternative approach was therefore to decide how much revenue was to be collected from the taxpayers of a particular area, and then apportion that sum between them according to some criterion such as the relative value of their property. Instead of levying a tax whose revenue would be uncertain, the tax authority collected predetermined revenue financed by the application to the local tax base of the required rate. It seems that, by comparison rates should be regarded as a local tax rather than any other type of tax. This is what has been recognised by the UK Royal Commission on Local Taxation (Gillie, 1992). They observed that the underlying principles for the Act of Elizabeth I, upon which the

whole system of local rating was founded, seems to have been that the rates were to be a kind of local income tax, toward which every member of the community should contribute according to his means (see HMSO, 1901). In England, the yield from rates was greater than that from income tax until after the First World War.

To support the appropriateness of the 'rates' as a local income tax, the Layfield Committee provides a positive indication in its report that a tax on property value is suitable as a local tax. They highlighted the following advantages:

- the structure of tax is simple and understandable;
- the yield is predictable and certain;
- easy to administer locally;
- the costs of collection are low and evasion is difficult;
- property is visible and easily identified with particular local areas; and,
- there are no problems with confidentiality of information.

Gibb (1992) gives a positive view on the potential adoption of property values as a local tax base. He argued that 'house values appear to have a relationship with gross income. And this would be further enhanced by a rate rebate system linked to the current benefit system' (1992, p. 307). It has been further argued by Gibb (1992) that the use of property values under the rating system is a more public and better indicator of ability to pay if there are no other reliable methods of establishing taxpayers' income. Indeed, some went further and argued that it was also a good indicator of the benefits derived from local government expenditure.

Perhaps it is not surprising to say that the UK influence²⁴ on other countries, especially Commonwealth countries, has resulted in a significant impact on the type of local tax system adopted. As discussed earlier, 'rates' were considered as an efficient and practical system for the local government to raise revenue. Thus, Britain exported the rating system to places where it had a strong administrative control. Malaysia, a former British Colony, adopted the rating system as its local property tax system.

The East India Company introduced the system of rating in the states of Malaya as early as 1801 with the imposition of the levy on the British Island of Penang²⁵. A Penang rating case in 1842 was referred to Enactment 33, George III, Cap 52. This enactment was introduced in Calcutta, Madras and Bombay where the Justices of Peace were empowered to levy an equal assessment on the owners and occupiers of houses, buildings and grounds for the purposes of maintaining and cleaning their streets.

Penang was the first Malaysian state to be exposed to formal local government institutions by the British when a 'Committee of Assessors' was set up and given with the responsibility for planning and implementing urban development. They were also responsible for preserving law and order, and levying and raising 'rates.' The first legislation local government introduced were regulations issued under the East India Company's Charter and the India Legislative Acts followed these. The India

²⁴ The British intrusion, especially in Malaysia, at the end of the eighteenth century brought the resources and organisation of the Industrial Revolution to newly occupied territory. Their influence and power spread into the Malay Peninsula and the process of political integration of the Malay States of the Malay Peninsula into a modern nation-state began.

²⁵ The first British Colony in Peninsular Malaysia was Penang (1786), followed by Singapore (1819) and Melaka (1824). These British Colonies, known as the Straits Settlement, were headed by a British Governor.

Legislative Act of 1856 clearly stated the manner of assessment of the rates of houses, buildings and land in Penang. Section 4 of the Act 1856 provided that the estimated gross annual rent at which the houses, buildings and lands liable to let from year to year was, for the purpose of rates, to be held and deemed to be the annual value of such houses, buildings and lands.

The British extended their authority, by means of a series treaties from 1874 to 1914, over the States of Perak, Selangor, Negeri Sembilan, Pahang, Kelantan, Trengganu, Kedah, Johore and Perlis, each of which had separate rulers called Sultans. These states were divided into two groups: the Federated Malay States (FMS)²⁶ and Unfederated Malay States (UFMS)²⁷. The urban management structures being operated in the Federated Malay States were called 'Sanitary Boards' and in the Unfederated Malay States, 'Town Boards'. Both of these organisation were bodies of civil servants with nominated advisory members of the public to co-ordinate the provision of services to urban communities. Organisationally, the local authorities adopted the British executive committee structure with committees of members of council having a direct relationship with departments. The whole organisation was integrated by full council and committees such as finance and general purposes, and at the officer level by the role of the Secretary, the equivalent of the Town Clerk in a UK local authority (Nahappan Report, 1970).

²⁶ The Federated Malay States: British protectorate headed by a British High Commissioner (Governor of the Straits Settlements) and consisting of the States of Negeri Sembilan, Pahang, Perak and Selangor.

²⁷ The Unfederated Malay States: British protectorate under the tutelage of a British Adviser in each State responsible to the British Commissioner, consisting of Johor, Kedah, Kelantan, Perlis and Trengganu.

The forms and procedures of implementing 'rates' in other Malay States were to remain as those introduced in Penang but with variations in regulations for rating. For example, the early regulations that were introduced in the State of Selangor were known as 'Regulation for Levying Rates and Taxes', i.e. the Selangor State Regulation No. XI of 1890. Section 2 of the Regulation stated that the owners of lands, houses and buildings within the Sanitary Board areas were to pay a levy of an annual rate that must not exceed 5% of the annual value of the properties. A similar provision was also stated in the Municipal Ordinance S.S. Cap. 133 and Town Boards Enactment F.M.S. Cap. 137. These two regulations were considered to be a 'master pieces' in the development of local government by other Malay States, especially the Unfederated Malay States, where the British amended or modified these regulations to make it applicable to each of these states. As a result of this, there was a wide variety of law and ordinances, as shown in Table 2.3, which applied in the whole country before the 1976 restructuring process was begun by the federal government.

Table 2.3: The Rules and Regulation applied to Local Authorities in the State of Malaya before 1976

Category	State	Law Enforcement
Unfederated Malay States	Kelantan	Municipal Enactment, 1938
	Johor	Town Boards Enactment No. 188
	Trengganu	Town Boards Enactment, Cap. 64
	Perlis	Town Boards Enactment, Cap. 137*
	Kedah	Town Boards Enactment, Cap. 137*
	Local Council established in 1952	Local Council Ordinance, 1952
Federated Malay States	Negeri Sembilan; Pahang; Perak; a Selangor	Town Boards Enactment, Cap. 137
Straits Settlement	Penang; Melaka	Municipal Ordinance, Cap 133

*Note:

- 1) The Town Boards Enactment F. M .S. Cap 137 as made applicable to Perlis, by the Town Boards (Application to Perlis) Ordinance, 1952,
- 2) The Town Boards Enactment F. M .S. Cap 137, as made applicable to Kedah by F. M. S Ordinance No. 52/56.

The rating system in Malaysia still survives even after the major restructuring exercise that took place in 1976 by the federal government. The outcome of the 1976 restructuring was to strengthen the rating system and make it more uniform when the new LGA 1976 was introduced by the government. It consolidated the rating framework within one statute effectively making the system more legalistic.

This contrasts with the experience in the UK, where the rating system was perceived by the British people as an inequitable redistribution system. The system received a lot of criticism, such as:

- a regressive tax,
- does not distribute the burden evenly over the communities,
- act as a tax on better housing, and;
- issues of local accountability whereby there are extra earners in some households who enjoy local services but do not pay local taxes.

These issues were simply not relevant to the Malaysian experience or considered at the time of the Royal Commission and thus considered outside its terms of reference.

As was reported by the UK government in its 1986 Green Paper, under the then current rating system, domestic rates there were only 18 million out of 35 million local electors in England liable to pay local taxes. In 1990, the UK government launched a fair and equitable (Barnett, 1990 and 1993) local tax system - Council Tax²⁸. In the opinion of Longley, Higgs and Martin (1996) the Council Tax, however, merely represents the rates revisited. They further highlighted that:

...local taxation in Britain over the last five years has been in a state of flux, having lurched from a predominantly property-based means of taxation under the rates, to an emphasis upon personal taxation under the community charge, and back again to mainly property-based taxation under the council tax (1996, p.118-119).

In simple words, it could be said that the essence of the rating system is a good base for the local taxation system. It would seem, therefore, by not debating these issues Malaysian local authorities avoided an unproductive experiment with their local tax system.

²⁸ This system replaced the ill-fated Community Charge or poll tax which lasted from 1989 to 1993.

2.2.2 Present Rating System in Malaysia

As discussed earlier, the LGA 1976 is a vital and comprehensive instrument dealing with every aspect of local authority affairs. As for the rating system, Part XV of the LGA 1976 provides detailed guidance to local authorities in managing their 'rates' (see Table 2.4 below).

Table 2.4: The Provision Relating to Rates and Valuation in the Local Government Act 1976

Part XV - Rates and Valuation	Specific Provisions
Power to impose rates	Section 127
Division of area and property (property) for rating purposes	Section 129
The basis of assessment rates	Section 130
The duration of rates	Section 133
Exemption from rates	Section 137
The preparation of valuation list for the purpose of rating	Section 137
Appeals	Section 145
Proceedings for recovery of arrears	Section 148

The provision of Section 127 gives local authority a considerable power to impose rates within their area with the blessing of the State Government. As provided in Section 127,

...the local authority may, with the approval of the State Authority, from time to time as is deemed necessary, impose either separately or as a consolidated rate, the annual rate or rates within a local authority area for the purposes of this Act or for other purposes which it is the duty of the local authority to perform under any written law.

The local authority can impose more than one rate on its locality. Apart from the annual rates imposed on properties, the local authority may in like manner impose a

drainage rates (Section 128) to meet the cost of the construction of drainage systems (Section 132). There is only one single rate, however, imposed by all local authorities, that is known as the local assessment rate. On the other hand, there are no rates imposed on those properties belonging to the State and Federal governments, but these properties shall be assessed for payment of 'grants-in-lieu-of-rates.'²⁹ Nevertheless, this represent rates payable to local authorities rather than grants.

2.2.2.1 Basis Assessment for Rate (or Assessment Tax)

The assessment rate is a percentage 'rate' that is imposed on the 'annual' or 'improved' value of immovable properties within a local authority area. The interpretation of the 'annual' or 'improved' value is clearly defined by the Act under Section 2. The annual value of property is:

...the estimated gross annual rent at which the property might reasonably be expected to let from year to year.

Whereas, the improved value is:

...the price that an owner willing, and not obliged to sell might reasonably expect to obtain from a willing purchaser with whom he was bargaining, for sale and purchase of the property.

²⁹ Article 156 of the Federal Constitution provides that the local authorities will receipt grants-in-lieu-of-rates from both the Federal and State Governments in respect of properties that are located within local authority area are belonging to these two governments. The amount to be paid by these two governments are arrived at by negotiation between the local authority and the State and Federal Governments.

The definition of 'improved value' is identical to the definition of 'market value' used for the purposes of assessing compensation under the Land Acquisition Act 1960.³⁰ In practice, however, only the State of Johore has adopted the improved value as a basis for the assessment tax. Indeed, the State of Johore had been using this value as the basis for rating immovable properties long before the introduction of LGA 1976. This is clearly stated in the Johore Town Boards Enactment, No. 118 - where the Enactment had already defined the improved value as the capital sum which the property might be expected to realise if offered for sale on such reasonable terms and conditions as a *bona fide* seller would require.

In the case of immovable properties assessed on annual value, the Act stated that the rate shall not exceed thirty five percent of the annual value, and five percent for the properties assessed upon the improved value. The Act also provides that the above rates shall endure for a period not exceeding twelve months and shall be payable half-yearly in advance by the owner of the property at designated local authority payment point in the months of January and July (Section 133 of LGA 1976). The LGA 1976 also clearly states who is responsible for the payment of rates. It further indicates if payments are not made by February and August, the rates are considered in arrears.

³⁰ Refer to the case of Nanyang Manufacturing Company Ltd Vs The Collector of Land Revenue of Johore (1954), where the court defined 'market value' as the value of land that may roughly be described as the price that an owner willing, and not obliged to sell might reasonably expect to obtain from a willing purchaser with whom he was bargaining for sale and purchase of the land', Land Acquisition Case 1954, pp. 69-71.

2.2.2.2 Exemption from Rates

Exemption from rates is provided in Section 134 of LGA 1976. According to the Act, any property or part thereof is exempt if used exclusively as a:

- public place for religious purposes;
- licensed public burial ground or crematoria;
- public school; and,
- public place for charitable purposes or for the purposes of science, literature or fine arts; recreational, social or welfare purpose, and not for profit.

The State Authority may at its discretion exempt such property or such part thereof from the payment of any rate.

Article 156 of the Federal Constitution provides that any federal government and public authority's lands, buildings, and hereditaments³¹ which are occupied for public purposes may be exempt from the payment of any rate. There is, however, no provision in the LGA 1976 to provide any relief (either by exemption or rebate) on any general properties. Section 136 states that the minimum annual rate payable is RM5 (equivalent to £1), and this means that all properties that are not covered by Section 134 should pay rates. Liability for rates begins in the case of ordinary properties when the local authority has issued a certificate of fitness for occupancy.

³¹ Property that can be inherited.

2.2.2.3 Valuation of the Property

The procedures for valuation of property are given in Sections 137 - 145 of the LGA 1976. The valuation list should comprise the following information under Section 137:

- the name of the street or locality in which such property is situated;
- the designation of the property either by name or number sufficient to identify it;
- the name of the owner and occupier, if known; and,
- the annual value or improved value of the property.

The Act also provides that the local authorities must prepare a new valuation list, which is to contain the same details as in the above section, once every five years or within such extended period as the State Authority may determine (Section 137 (3)).

The process³² of preparing and completing the new valuation list is time consuming, on average taking between 1 and 2 years to complete. The complete valuation list must then be published in two local newspapers to allow inspection by the assessment taxpayers. If there is an objection from the individual assessment taxpayer, the local authority has to re-evaluate the rateable value and the process goes on until both parties agree with the new list. The final decision on the valuation of the property if these parties unable to agree lies with the state government. Then, the new valuation list will be tabled in the State Assembly for approval before implementation in the

³² Each local authority has their own valuation department responsible for valuing new properties or re-valuing existing properties.

local authority concerned. This is a long³³ process which is time consuming and some local authorities are still using valuation lists which are more than ten years old (Ismail, 1991). This leads to an arbitrary valuation which has implication for tax collection given that ultimately the taxpayer has to meet the bill.

Apart from the above process, local authorities have to face other hurdles in preparing new valuation lists, including interference from local politicians, especially in those areas that have a strong opposition party. Local authorities in the State of Trengganu, for example, have faced difficulty introducing new valuation lists as a consequence of the State Authority facing pressure from the local electorate. Opposition parties have a greater influence in this state compared to other states in Malaysia.

2.2.3 The Contribution of Assessment Tax - a comparison

Generally, property taxes provide the majority of funds as a local source of revenue for local governments. Income from property taxes, for example, is considered as the major source of revenue in the United States making up 74% of all local government tax revenues (Putnam and Zlatkovich, 1993; Yang, Means, and Moody, 1993). They are the main source of local government revenue in France (Prud'homme and Navarre, 1992), and in the United Kingdom property tax is also considered as a popular local source of revenue for local government. As reported by Owens (1992) in 1985 total property tax revenues collected by local government in unitary countries varied, on average, between 25% and 45% of local revenue in federal countries³⁴. Among the

³³ The revaluation process on average takes one to three years to be completed (Phang, 1985).

³⁴ Survey focus on the use of taxes to finance local government in all OECD countries.

federal countries that show the highest contribution of property taxes to local government revenues are Australia 96.0%, Canada 79.7%, and the United States 74.2%.

Malaysia, a comparable federal country, also shows a large contribution from property taxes to local authority revenues when compared with other resources (see Nahappan Report, 1970; Phang, 1985; Pilay and Tan, 1985; Phang *et al.*, 1988; Ismail, 1985, 1989 and 1990; Tayib, 1993 and 1995). As indicated by the Royal Commission of Enquiry (1970) incomes from property taxes are considered as a major source of income for local government. Rates is the only form of local taxation in Malaysia. Therefore, as reported by the Committee, apart from being the dominant source of income to local government, it is also considered as potentially the primary source of revenue,³⁵ as it is planned to replace government grants over time making authorities fully self-financing.

A recent survey in the context of a study of the financing of Malaysian local authorities carried out by Tayib (1995) found that, on average, income from rates³⁶ represented more than sixty per cent of local sources of revenue. The second largest contribution came from income from services³⁷ with an average of only 8.64%. Table

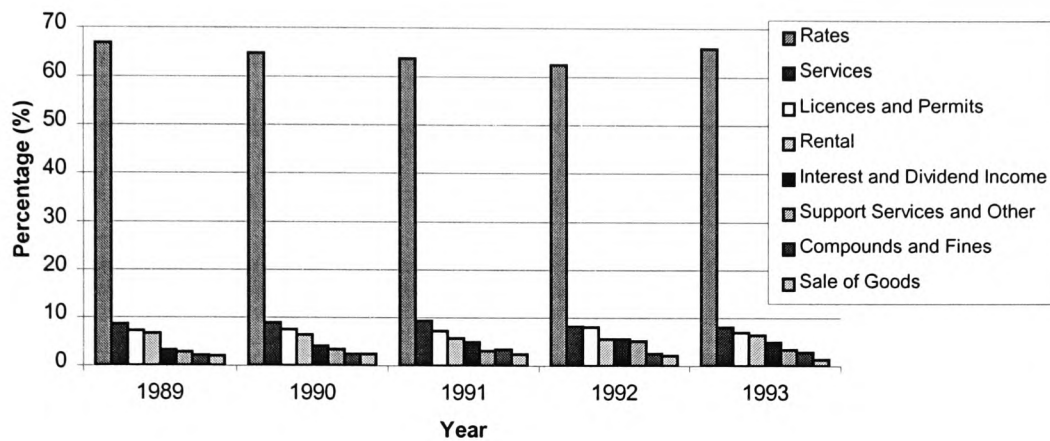
³⁵ The federal government obtains all major revenues, such as income tax, licences from motor vehicles, customs duties and sales tax. According to Manfred Kops (1988, p. 137-145) 'if comparisons are made between Malaysia's financial arrangements with those of other federal systems such as those of the United States, Canada, and Australia, it will be noted that the Malaysian system is very strongly centralised one'.

³⁶ The Contributions In Aid of Rates is the rates imposed on the Federal and State government assets that are located in the local authority area. The rate is arrived at by negotiation between parties, local authorities and the Federal and State governments. These are rates payable to local authorities rather than grants.

³⁷ Revenues from services include such as for processing planning fees, car park collections, sewerage and dislodging collections, garbage collections, and others.

2.5 shows the detail of local sources of revenue of local authorities in Peninsular Malaysia from year 1989 to 1993.

Table 2.5: The Composition of Local Sources of Revenue of Local Authorities in Peninsular Malaysia



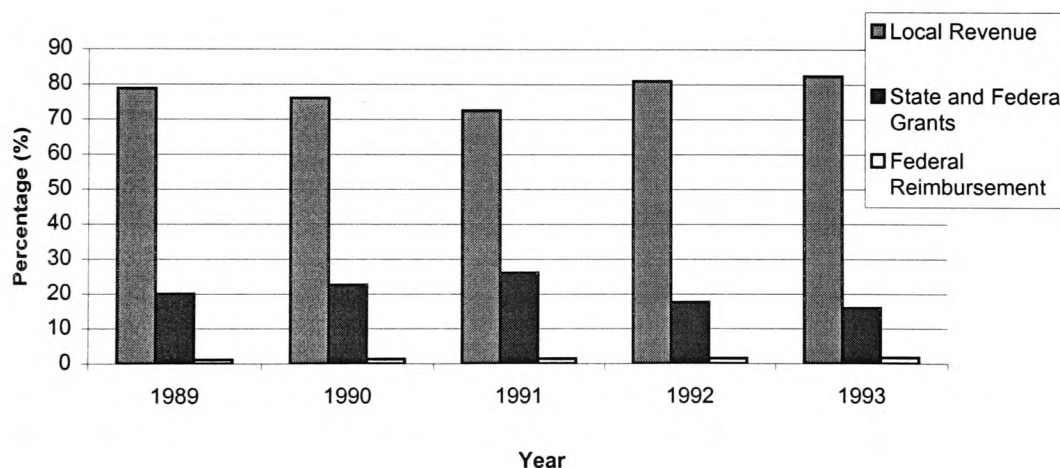
Source: Tayib, M., (1995).

Table 2.6 shows the grants contributed by the State and Federal government of Malaysia in proportion to the total revenue of local authorities. It is obvious that the federal and state governments are reducing their financial support in order to push local authorities toward self-finance. This was commented on by the Royal Commission of Inquiry (1970, p.236):

...local authorities are expected to be financially self-reliant as far as possible. This, however, does not mean that they should be wholly responsible for the expenditure involved in rendering local services. Nor does it mean that local government should be independent of any financial support from the State Governments. Throughout our enquiry, it was obvious to us that many held an erroneous conception that immediately a local authority was granted financial autonomous status, it should not expect any assistance from the State Government but should endeavour to sink or to swim as best it knew how...

The dissatisfaction expressed above by the Royal Commission towards financial assistance to local authorities by the state government has received no response up to today. In addition, there is also no sign of any movement being made by the government to review the structure of local government finance. As can be seen from Table 2.6, from the period 1989 to 1993, on average, the federal and state governments provide a total 20.48% of financial supports (grants) to all local authorities in Malaysia. This statistic indicates that some local authorities are now in receipt of no state support. This is particularly true for financially self-sufficient municipal councils where the state and federal governments no longer act as financier of last resort (Phang, 1989).

Table 2.6: The Composition of the Total Revenue of Local Authorities in Malaysia 1989-1993



Source: Economic Report 1994/1995.

Table 2.6 also provides an indication that federal and state governments' grants act as a form of 'balancing figure' in the revenue accounts. This suggestion was further supported by Tayib's (1995) study as illustrated by the figure in Table 2.7. Although

there is no stated government policy that the state or federal financial supports act as balancing items in the local authority total spending, the LGA 1976 (Section 55(5) and (6)) requires that the annual budget of the local authority must be approved by the State Authority. In addition to this issue, Abdullah (1992) revealed that the 'approved deficit' in the local authority budget has been resolved through the 'balancing grant'³⁸ issued by the state. The allocation of these grants to local authorities, however, were dependent on the financial capability of the state and also the amount of the local authorities actual budget shortfalls (Hizam, 1991). Phang (1989) and Abdullah (1992) point out that state government support was varied and also no proper criteria for allocation were used for local authorities.

Table 2.7: The Percentage of the Composition of Local Authorities Total Revenues in Peninsular Malaysia 1989-1993

Type of Revenue (%)	1989	1990	1991	1992	1993
Assessment Tax	60.43	57.54	54.83	53.68	57.31
Other Revenues ³⁹	32.29	30.56	33.27	33.23	30.43
Government Grants	7.28	8.68	11.9	13.09	12.26
Total	100.00	100.00	100.00	100.00	100.00

Source: Tayib, M., (1995).

Can rates remain as the main contributor to local authority revenue? As far as the base rating system, i.e. immovable property values, is concerned, rates will stay as the major contributor as long as it remains as local taxation for local authorities. Apart from the perceived 'positive' characteristics as agreed by many researchers such as: easier to collect, cheaper to administer, low collection costs, difficult to invade, etc; it

³⁸ A balancing grant is intended to balance out revenue with expenditure in the operational budget (Hizam, 1991).

also depends on the number of the properties owned by individuals and businesses. This is because the amount of rates to be paid by local taxpayers is fixed for at least five years. As mentioned earlier local authorities are allowed to re-value their taxable properties every five years.

The increase of the total population in Malaysia from 15.7 million in 1985 to 20.1 million in 1995 indicates that there will be a great demand for property, either as residential or for business purposes. This has been further validated by the Economic Report, issued by the Ministry of Finance, stating that the growth of the construction sector in 1994 was 13% compared to 1993 which was only 11.2% (Economic Report, 1995/96).

In Malaysia assessment rates are basically under the jurisdiction of local authorities. They are imposed on both domestic and non-domestic (or business) properties and collected by the local authorities themselves. Therefore, as the number of properties (or holdings) increase the number of assessment taxpayers will also increase. As an illustration, assessment taxpayers in the Shah Alam Municipal Council (SAMC) have increased from 24,583 in 1990 to 36,595 in 1995 and are projected to further increase, on average, at the rate of 5.2% every year (SAMC Annual Account Reports, 1996). The rapid economic development of the past ten years in Malaysia has been accompanied by a shift in population from the rural to urban areas in line with the growing importance of manufacturing and modern services. It has been reported that the urban population in Peninsular Malaysia has increased from 37% of the total

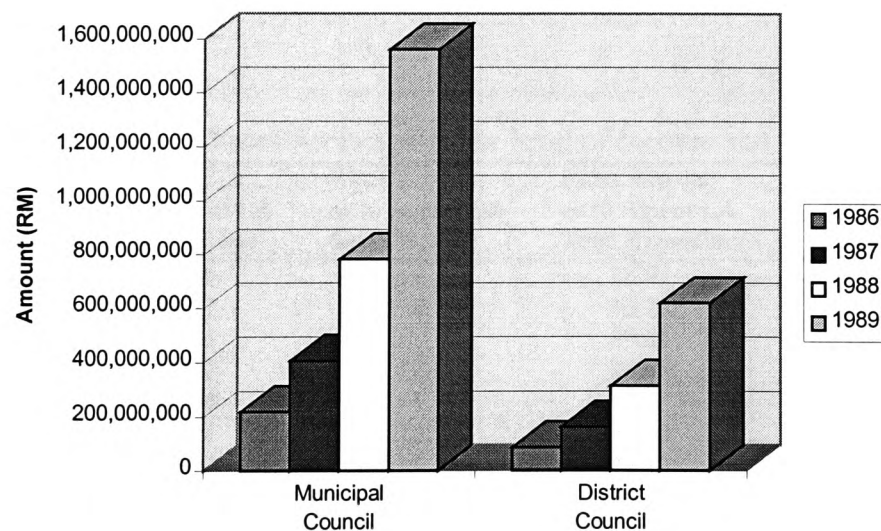
³⁹ Includes services, licences and permits, rental, interest and dividend income, fines, sale of goods fees, loans, donations

population in 1980 to 45% in 1990 and is projected to increase to 54% by year 2000 (MHLG, 1985).

2.3 Assessment Tax and Arrears Problems

By looking at the structure of local revenues, taxes on immovable property have been demonstrated to be the most important source of revenue for local authorities in Malaysia. Therefore, the total rates collection and its collection pattern may have a significant impact on the quality of services provided by the local authorities. As described by Pilay and Tan (1985) and Alias (1994) the financial problems of local authorities are to a large extent caused by their inability to collect a large proportion of property taxes from their potential taxpayers.

Table 2.8: Total Arrears of Municipal Councils and District Councils from Year 1986 - 1989



Source: Data from Local Government Division, Ministry of Housing and Local Government

Table 2.8 above where arrears are growing supports this argument. In 1989, Municipal Councils recorded nearly RM1.6 billions of uncollected rates revenue with District Councils accounting for approximately one half of this figure. The poor record of uncollected rates revenues by District Councils compared to Municipal Councils could be explained by looking at their jurisdictions. As discussed earlier in the chapter, Municipal Councils are located in the urban and city centres or State Capitals, while District Councils are mostly located in rural areas outside the urban core.

A study by Alias (1994)⁴⁰ revealed that half of the states faced arrears of more than 100% of income receivable from rates. The State of Trengganu experienced the worst problem with rates arrears of more than 306% of the income due from rates for the year 1992/93⁴¹ (See Table 2.9). The problem of rates arrears according to Alias (1994) has resulted in the affected authorities increased dependency on other sources of income, especially the federal and state grants. This is particularly evident in the case of Trengganu where grants are the main source of funding as a substitute for the uncollected arrears of rates.

Table 2.9: Comparison of Rates Arrears with the level of Income and Expenditure

State	Rates Arrears as % Age of LA overall income	Rates Arrears as % Age of LA Rates Income	Rates Arrears as % Age of LA Total Expenditure	Reported Date
Johor	49.00	40.97	20.03	1992/93
Kelantan	32.17	135.96	43.73	1992/93
Pahang	61.40	48.28	29.64	1992/93
Perak	50.02	51.82	25.92	1992/93
Selangor	16.68	176.61	29.47	1990
Trengganu	33.94	306.10	103.90	1992/93
Melaka	60.97	48.56	49.15	1989
Negeri Sembilan	38.84	126.56	29.61	1990

Source: Alias, B. (1994).

⁴⁰ As reported by Alias (1994) data on rates arrears are not fully available, only 2/3 of the states in Malaysia. Based on available data, he analysed and reported the result as shown in Table 2.7.

⁴¹ The research has attempted to obtain the latest statistics regarding local tax arrears but failed. This is due to lack of publicly available information.

This problem of uncollected revenues is not new to local government. It was reported by the Nahappan Commission which identified several factors that are associated with uncollected revenues, such as poor billing and collection systems, inefficiency in managing taxpayer accounts and a lack of organisational commitment in this area. Ten years later, the same factors were also identified by several researchers namely Pilay and Tan (1985); Ministry of Housing and Local Government of Malaysia (MHLG)(1985); Hizam, Plimmer and Gronow (1994); Ismail (1989 and 1991); Alias (1994). However, these findings were not based on any empirical testing and thus not supported in that they were based on primarily personal observations and experiences. The existing studies also failed to make any attempt to provide detailed and specific explanations for the observed phenomenon. Furthermore, local government restructuring in 1976 was mainly focused on reorganisation of the local authorities and further strengthened the structure by the introduction of Local Government Act and two other acts, Town and Country Planning Act and Street, Drainage and Building Act.

Lack of research interest, either by government agencies or individual researchers, in this field contributes to an ignorance of the problem faced by local authorities in terms of collecting the local assessment tax (Coombs and Tayib, 1997). Therefore, it is considered appropriate to incorporate other local tax experiences, for example in evaluating the non-compliance behaviour, into the Malaysian environment when investigating the performance of local tax collection. This study intends to bridge the gap between what was omitted by the 1976 local government restructuring and to incorporate other experiences to identify the factors influencing the behaviour of assessment taxpayers in Malaysia.

Chapter three explores the issues most closely connected with non-compliance behaviour in order to better understand the attributes influencing taxpayer behaviour. Chapter four then discusses the issues related to the efficiency and effectiveness of tax administration.

2.4 Summary and Conclusions

This chapter has reviewed the present system of the Malaysian local tax system - assessment tax. The relationship and division of authority between federal, state and local governments was also discussed. As a federal system, local government in Malaysia is under the control and scrutiny of the State government as is clearly stated in the constitution and the Local Government Act 1976. Three parent laws that enable and empower local authorities to perform their functions and activities were also outlined.

This chapter also examined the contribution of income from assessment tax to local authorities. More than sixty per cent of the total income of local authorities comes from assessment tax as opposed to less than twenty per cent of the contribution in terms of grants from central and state governments. One of the important issues that is currently faced by local authorities in Malaysia is the high level of uncollected assessment tax revenue. This is highlighted by Surrey (1975, p.491):

...the sign of ineffective tax administration is the presence of a very large number of delinquents in tax payments, for it indicates the lack of respect for the tax system.

Furthermore, it may also influence taxpayer compliance behaviour. The next two chapters discuss taxpayer compliance behaviour and the efficiency and effectiveness of the tax administrative system.

Chapter 3

THEORY AND HYPOTHESIS DEVELOPMENT I: TAXPAYER COMPLIANCE

3.0 Introduction

In Chapter 2 it was identified and discussed that the present Malaysian rating system has a problem of non-payment. The accumulation of arrears from year to year by both Municipal Councils and District Councils shows clear evidence that local authorities have a problem with collecting revenue from the assessment tax. In order to maximise tax collection, the tax administration systems must be productive and cost efficient. There is no doubt that greater cost efficiency and employee productivity would enhance the tax administration system in terms of a greater amount of revenue being collected. In addition, higher levels of taxpayer voluntary⁴² compliance would greatly enhance the tax administration system performance by a higher collection of revenue (Fisher, 1991; Fisher *et al.* 1992; Hajah Mustafa, 1996). High voluntary compliance could be achieved if taxpayers hold positive perceptions towards the tax administrative system, the fairness of tax law and its complexity (Christensen *et al.*, 1994), and the quality of service delivered (Tiebout, 1956; and Oates, 1969).

⁴² Voluntary compliance is interpreted as taxpayers' complying with tax obligations without specific action having been taken against them by the tax authority or department.

The issues that are linked to tax collectability are:

- 1) taxpayers compliance behaviour; and,
- 2) efficiency and productivity of the tax administrative system.

This chapter will discuss the theories of taxpayer compliance behaviour and chapter 4 will discuss the efficiency and productivity of tax administrative systems.

3.1 Taxpayer Compliance Behaviour

‘Compliance’ is defined as reporting all income and paying all taxes in accordance with the applicable laws, regulations, and court decisions (Alm, 1991). This definition was applied to all income taxpayers in that they have to submit all required tax returns and accurately report tax liability in accordance with specified rules and regulations. The definition, however, could also be applied to the rating system (local assessment taxes) by reporting all information regarding immovable properties and similarly paying all taxes in accordance with the applicable laws, regulations and court decisions. The above definitions according to Fischer *et al.* (1992) consist of both intentional and unintentional non-compliance. They further argue that tax laws not only prevent taxpayers from engaging in certain behaviour patterns, but also require that taxpayers take positive actions to comply with the law. Although there is no specific enactment dedicated to local assessment taxes in Malaysia, compared to income taxes,⁴³ all the requirements regarding assessment taxes are contained in the Local Government Act 1976. Even though there is no specific act applied to local assessment taxes taxpayers still believe that the Local Government Act 1976 is the act

with which they must comply. Christensen *et al.* (1994) emphasised that the fairness (or equity) and complexity of tax laws will influence taxpayer compliance behaviour. Many of the studies on taxpayer compliance, however, focus on income tax taxpayers but as far as this study is concerned there is a lack of empirical evidence indicating the extent to which assessment (property) tax laws⁴⁴ positively influence the behaviour of the assessment taxpayer to comply with the said laws. No such study has been carried out in Malaysia to investigate and explore whether the Local Government Act 1976 has any impact on assessment taxpayer compliance behaviour.

There has been remarkably little empirical work on the issue of taxpayer compliance carried out in the field of local taxation in general and, specifically, in the context of property tax. There are, however, lessons to be learned from a number of taxpayer compliance studies based on the economic self-interest model and several published reviews of the compliance literature. These will be discussed below.

Much of the research on taxpayer compliance⁴⁵ is mainly based on two models.

These models are:

- 1) the financial self-interest model; and,
- 2) an expanded model that includes non-economic variables.

⁴³ There is a specific act known as the Income Tax Act 1967 applied to taxpayers in Malaysia.

⁴⁴ In Malaysia, there is no specific law applying to property taxes but Local Government Act 1976 is the only Act that covers all aspect of local government affairs including imposing tax (or assessment tax or rates) on the constituent.

⁴⁵ Much of the studies on taxpayer compliance are based on the US Income tax system. This is because tax evasion in the United States is continuously growing. For example, the gap between taxes owed and taxes paid was between US\$84.5 and US\$96.8 billion in 1988 and is projected to reach US\$110.1 to US\$127.0 billion 1992 (see Alm, 1991; Fischer 1991; and Fischer *et al.* 1992)

The financial self-interest model is derived from Becker's (1967) economics-of-crime approach and assumes that individuals maximise the expected utility of the evasion by weighing the uncertain benefits of successful evasion against the risk of detection and punishment. For example, as explained by Pyle (1993), when taxpayer's income rises, whether she/he declares more or less of her income depends on the relative strengths of these two countervailing forces. If the effect of a rising marginal tax rate is stronger, she/he will declare less, but if the increase in expected penalties is heavier, she/he will declare more⁴⁶.

Although this model does not rule out a more complex utility function, the potential costs and benefits of evasion are typically envisioned in monetary terms. Thus, in this model, variables associated with, and expected to promote, taxpayer compliance behaviour include tax rates, detection probability, and the penalty structure (Fischer, Wartick and Mark, 1992; Pyle, 1993). Previous empirical research has shown that taxpayer compliance behaviour is indeed influenced by detection and punishment, the prevailing tax rate and the penalty structure (see for example, Fischer, 1991). These variables, however, are not the only factors influencing taxpayer compliance behaviour. This is because if these were the only variables influencing taxpayer compliance, then it has been argued that the overall compliance level would be far lower than what is observed (Alm, 1991). Thus a financial self-interest model is not

⁴⁶ Pyle used a simple model to explain the situation: $EU = (1 - p) U(W) + pU(Z)$ where EU is expected utility; $1-p$ is not caught for evasion; p is caught for evasion; U is utility; W is net income if not caught by the tax authority; and Z is net income if caught by tax authority. The model suggests that taxpayer will evade paying if they can increase their expected utility by not declaring some income.

totally descriptive of the factors influencing taxpayer compliance behaviour (Fischer *et al.* 1992). Empirical research suggests that the determinants of taxpayer compliance are far more than the financial self-interest model implies and that the relationships among these variables are not straightforward. Jackson and Milliron (1986) have proved this in their comprehensive review of the compliance literature. These authors have identified fourteen key variables commonly addressed by researchers and linked to measures of taxpayer compliance. These variables are categorised as follows:

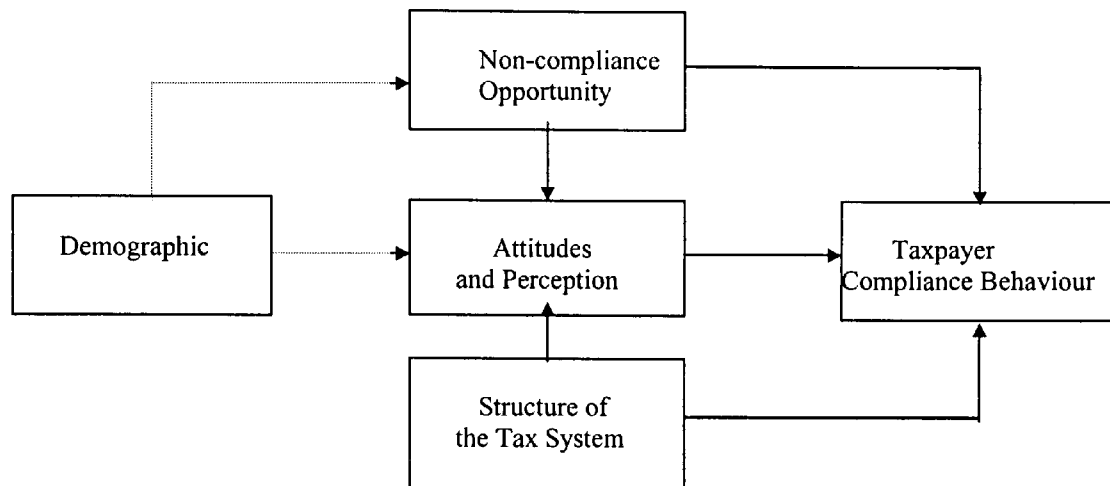
- demographic (e.g., age, gender);
- proxy for non-compliance behaviour (e.g., education, income level, income source, and occupation);
- attitudinal (e.g., ethics, perceived fairness of the tax system, peer influence), and;
- structural (e.g., complexity of the tax system, IRS contact, sanctions, detection probability, and tax rate).

The expanded model, which is the second model identified earlier, has been constructed by organising the fourteen variables identified by Jackson and Milliron (1986) and also the economic factors in the financial self-interest model. Thus, an expanded model of compliance behaviour consists of:

- demographic variables;
- non-compliance opportunity;
- attitudes and perceptions; and
- structure of tax system.

Figure 3.1 illustrates the relationship of the variables in the expanded model of taxpayer compliance.

Figure 3.1: Expanded Model of Taxpayer Compliance



Source: Fischer, C.M., Wartick, M. and Mark, M. M. (1992)

The three economic variables (per Becker, 1967) in the financial self-interest model of taxpayer compliance are included in the structure of the tax system. Thus, the expanded model explicitly incorporates not only economic variables but also other variables such as sociological and psychological variables that are significant in explaining taxpayer's compliance behaviour (Fisher *et al.*, 1992). For example, variables such as non-compliance opportunity and the structure of the tax system may influence attitudes and perceptions of the taxpayers.

One other important variable that is not included in the expanded model is knowledge or understanding of the tax system and tax laws. In the US more attention is now being given to the impact and extent of knowledge about the tax return preparers'

work performance. Most of the studies carried out in the US which are related to the knowledge and understanding of the tax system by taxpayers focused on three areas of interest (Shields, Solomon and Jackson 1995):

- the relationship between knowledge and performance;
- the relationship among knowledge, incentives and performance; and,
- the reasoning process.

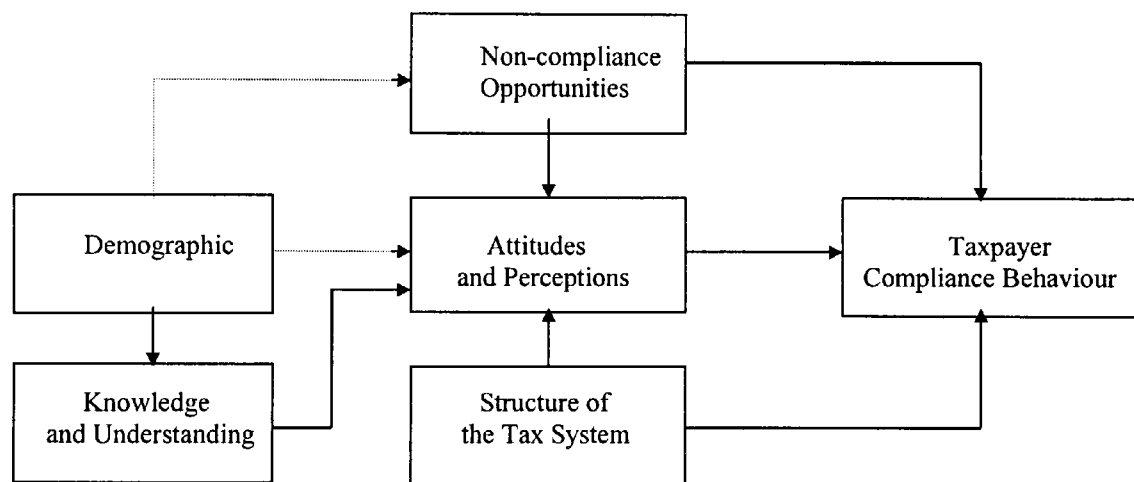
Kaplan, Reckers and Boyd (1988) studied the relationship between knowledge and performance. They investigated the way in which a professional tax expert's experience interacts with the ambiguity of a tax issue to effect the tax professional's judgements. They hypothesised that when facing unambiguous issues, tax professionals' recommendations would not be related to specific experience. When facing ambiguous issues, however, it was hypothesised that experience would interact with the probability of tax audit and the amount of deductions. The findings were consistent with the hypotheses. Bonner, Davis and Jackson (1992) revealed that there is a positive relationship between technical knowledge and performance. In their extended study, they also revealed that motivational factors have positive outcomes on performance.

Knowledge or understanding of the tax system, therefore, is likely to have positive effects on attitudes and perceptions of the tax preparers and taxpayers, which in turn would have positive effects on tax compliance (Jackson and Milliron, 1986). Thus, according to Hajah Mustafa, it is appropriate to include knowledge and understanding as a variable in any model being used to explain taxpayer compliance behaviour. He

further argued that a better understanding of the tax system would improve taxpayer attitudes and perceptions, and finally have an impact on tax compliance behaviour.

Although many of the studies indicated that knowledge and understanding of the tax system are associated with taxpayer compliance behaviour, little research effort had been directed to include this variable in the income taxpayer compliance model. As a result, Hajah Mustafa incorporated knowledge and understanding of the tax system into the model as a separate component. The expanded model is shown in Figure 3.2.

Figure 3.2: Expanded Model of Taxpayer Compliance with Knowledge and Understanding Variable



Source: Hajah Mustafa, M. H. (1996)

Hajah Mustafa (1996) has used the above model in evaluating the Malaysian income tax administrative system, and taxpayer perception towards assessment systems, tax law fairness and tax law complexity. This study, however, did not focus on taxpayer compliance behaviour. The main objective was to examine whether the Malaysian income tax assessment system (Official Assessment System) was efficient and

productive compared to those countries which have adopted the self-assessment systems (SAS) of income tax collection. The first part of his study centred on a comparative analysis of the efficiency and productivity of the Malaysian tax administrative system compared to other countries (such as US, Japan, Indonesia, Australia, and New Zealand) which have adopted self-assessment systems (SAS). The second part of Hajah Mustafa's study concentrated on taxpayers' perception of tax law fairness and tax law complexity.

Table 3.1 presents a summary of variables in the taxpayer compliance model.

Table 3.1: Summary of Variables in the Tax Compliance Models

Model	Variables	Grouping
Financial Self-interest Model Becker, 1967	Tax rate, Detection Probability, Penalty Structure	
Expanded Model Fischer, 1991	Age, Gender	Demographic
	Education, Income Level, Income Source, Occupation	Non-compliance Opportunity
	Ethics, Perceived Fairness of Tax System, Peer Influence	Attitudes and Perceptions
	Complexity of Tax System, IRS Contact, Sanctions, Detection Probability, Tax Rate Penalty Structure ⁴⁷	Structure of Tax System
Expanded Model with Knowledge Based Hajah Mustafa, 1996	Age, Gender	Demographic
	Education, Income Level, Income Source, Occupation	Non-compliance Opportunity
	Ethics, Perceived Fairness of Tax System, Peer Influence	Attitudes and Perceptions
	Complexity of Tax System, IRS Contact, Sanctions, Detection Probability, Tax Rate	Structure of Tax System
	Tax Computation, Tax Payable Understanding Tax Laws	Knowledge and Understanding

⁴⁷ These variables identified earlier in the Financial Self-interest Model - included in the Expanded Model under the Structure of Tax System

In total, the above model suggests the following conclusions:

- 1) taxpayer compliance behaviour is influenced by non-compliance opportunities, attitudes and perceptions of the taxpayer and the structure of the tax system;
- 2) the attitudes and perceptions of the taxpayer are influenced by the structure of the tax system, non-compliance opportunities and knowledge and understanding of the tax system; and,
- 3) knowledge and understanding of the tax system is influenced by taxpayer demography.

Other important conclusions that can be derived from the above model concern the role played by the structure of the tax system. This does not only influence the attitudes and perceptions of taxpayers but also has a direct influence on taxpayer compliance behaviour. The same feeling regarding the importance of the structure of the tax system was also expressed by Professor J. E. Meade when chairing the Committee of the Structure and Reform of Direct Taxation in the UK set up by the Institute for Fiscal Studies in 1976. His view is as follows (Meade report, 1978:p, XV):

Our economy has become too stagnant; restoration of standards of living and many desirable increases in economic welfare depend on higher productivity. At the same time a modern humane society demands that effective action should be taken to prevent poverty and to remove unacceptable inequalities of opportunity; wealth and privilege. There may be some degree of inevitable conflict between these two objectives of 'efficiency' and 'equality'. But the clash can be minimised by an appropriate choice of social, political and economic policies and institutions; and the structure of the tax system is one important element in the outcome.

Much of the research on taxation carried out by the UK researchers between the mid 70's and early 1990's was focused on the structure of the tax system (see for example, Meade Report, 1978; O'Brien Report, 1982; Green Paper (HMSO, 1981); Ridge and Smith, 1991; Jackson, 1994). A number of these studies were specifically directed to

the structure of local taxation system. During this period subjects had expressed their dissatisfaction about the local property taxes system. The debate, for example, over the rating system and the Community Charge in the UK attracted many academics, professionals and the government to search for the best characteristics or structure for a local taxation system. There is no doubt that, based on this work, the structure of the local tax system has the potential to play an important role in influencing taxpayer compliance behaviour at the local level.

The next section will discuss the attributes or variables of the structure of tax systems. As discussed earlier the attributes of tax structure not only influence taxpayer compliance behaviour but also the attitudes and perceptions of taxpayers towards the taxation system.

3.2 Structure of the Tax System

The general principles⁴⁸ of taxation laid down by Adam Smith (1776) still have a significant influence on today's system of taxation. These principles were rationalised by the traditional role of government, namely to provide public goods, and obtain funds for the purpose with minimum fuss and cost (John Kay 1987). Government functions progressed rapidly beyond these broad redistribution objectives. The

⁴⁸ The principles are (Smith, [1776] 1937. p. 778):

- 1) The subject of every state ought to contribute towards the support of the government, as nearly as possible in proportion to their prospective abilities (revenue) that they respectively enjoy under the protection of the state;
- 2) The tax which each individual is bound to pay ought to be certain and not arbitrary;
- 3) Every tax ought to be levied at the time, or in the manner, in which it is most likely to be convenient for the contributor to pay it; and
- 4) Every tax ought to be contrived as both to take out and to keep out of pockets of the people as little as possible

predominant function of government today is to overcome inefficiency in resource allocation and redistribute income and wealth⁴⁹ (Musgrave, 1959).

Efficiency in resource allocation and the redistribution of income and wealth is one of the main issues when dealing with a taxation system. For example, in discussing the efficiency of the UK local taxation system, the government, through its Green Paper, highlighted dissatisfactions among many ratepayers towards the then system of domestic rates, as they felt they were having to pay a bigger share of the costs of local government services while other local people, who are not householders, were not required to pay rates at all.⁵⁰ In response to these issues, the UK government provided an outline of the main requirements of a local taxation system. These were:

- Practicality
- Fairness
- Accountability
- Cost of Administration
- Fiscal Dimensions
- Financial control.

The UK Government later introduced a new local tax system known as the Community Charge (Poll Tax) although its life was very short.

⁴⁹ In order to make it 'just' or 'equitable'.

⁵⁰ Studies, for example, by Allen Committee (1965); Foster, Jackman and Perlman (1980); Hughes (1982); and also Layfield Report (1976) provide a detailed critique of Rates. Layfield Report 1976 also provides comment on the system of local government finance. This Committee concluded that there is no coherent system in local government finance. They further suggested that the financial system for local government should consist of the following criteria:

- 1) Accountability;
- 2) Fairness both between individuals and areas;
- 3) Consumption and investment;
- 4) Efficiency;
- 5) Stability;
- 6) Flexibility; and,
- 7) Comprehensibility.

In evaluating the problems faced by the Community Charge, Barnett (1990 and 1992), Sandford (1992) and Jackson (1994) refer to Adam Smith's canons of taxation. The equity or fairness principle was deemed the most applicable principle in setting up a local taxation system. In addition to fairness or equity, Jackson (1994) also noted that an efficient local tax system should, at least, have the following characteristics:

- It must be simple and easily understood by those on whom it is levied;
- It should minimise the distortion imposed upon other decisions;
- Each individual should contribute according to their ability to pay;
- The tax should be certain and not arbitrary;
- Any tax levied should be easy to collect; and,
- It should be difficult to evade paying tax with low compliance and collection costs.

The Meade Committee⁵¹ (1978) also furnished a comparable criteria to that proposed by Adam Smith. According to the Committee, the choice of tax structure must take into account the following characteristics (chapter 2, p. 23):

- the effect on economic incentives;
- its fairness as between persons of similar taxable capacity;
- its effects upon distribution between rich and poor;
- whether it is compatible with desirable international economic relations; and,

⁵¹ A committee of tax experts chaired by Professor James Meade to study the structure of the UK tax system as a whole in 1978. He emphasises that 'the structure of a tax system is one important element in the outcome' (see page XV, Meade Report, 1978).

- its simplicity, ease of understanding, and absence of excessive administrative costs.

Although the scope of the Meade Committee study was more focused to direct taxation some of the characteristics identified by the Committee can also be relevant in setting up local taxation systems.

Several other studies on the structure of tax systems have been described in the literature (see for example, Foster, Jackman and Perlman, 1980; HMSO, 1981; O'Brien Report, 1982; Ridge and Smith, 1991) which are basically based on the Adam Smith's canons of taxation. Significantly, equity or fairness, the simplicity of the tax system and low administrative and compliance costs are central variables in virtually every one of these studies. Basically, there is an agreement that the principles of a good tax structure as suggested by Adam Smith that can be used as a yardstick in measuring the efficiency of a tax system. The variables of the structure of tax systems described in the expanded model of taxpayer compliance behaviour are not really comprehensive (see Table 3.1) when compared to what has been discussed by the UK researchers and Smith's 'canons of taxation'.

A summary of the attributes identified in several studies regarding tax structure are shown in Table 3.2.

Table 3.2: Summary of Attributes in the Tax Structure

Studies	Attributes	Remarks
Adam Smith, 1776	Equality, Certainty, Convenience of payment, and Economy in collection	Principle of Tax System
Meade Report, 1978	Incentives and Economic efficiency, Distributional Effects, International Aspects, Simplicity and Costs of Administration and Compliance, Flexibility and Stability, Transitional problems,	Characteristics of a Good Tax Structure
HMSO [Green Paper] 1981	Practicality, Fairness, Accountability, Cost of administration, Fiscal dimensions, Financial control	Requirement of Local Tax System
O'Brien Report, 1982	Equity, Efficiency, Simplicity and Low Administrative and Compliance Costs	Criteria for Tax System
Ridge and Smith, 1991	Administrative Feasibility ⁵² , Economic Efficiency, Equity and Accountability	Criteria for Local Tax
Jackson, 1994	Equity or Fairness, Certainty, Convenience of payment Economy in Collection and Compliance, Transparent ⁵³	Characteristics of Efficient Tax System

⁵² Refers to administrative criteria, such as taxes, which should integrate easily with the tax system as a whole, they should not be easily evaded, and they ought to be simple and understandable to minimise the costs of taxpayers of compliance. Economic efficiency requires that the tax should not unnecessarily distort or modify the choices that individuals would have made in the absence of the tax (see chapter 5)

⁵³ Transparent link between spending and taxation decisions. If the taxpayer can identify a clear relationship between local government spending then when, at election time, promises are made by politicians to increase spending the electorate should be able to judge how much this means in extra taxation (Jackson, 1994, pp. 55- 62).

This study adopts the characteristics outlined by Jackson (1994) as desirable variables in the structure of tax system. The attributes suggested by Jackson are comprehensive and cover all aspects of the tax administrative system and also the attributes that will encourage taxpayer compliance. The importance of these attributes and the way that they can influence taxpayer attitudes and perception towards tax compliance are discussed below.

3.2.1 **Equity or Fairness**

Generally, there is an agreement that the tax system should be fair or equitable, but there is less agreement on how to distribute fairness (Musgrave and Musgrave, 1980). Basically, the fairness of the distribution is evaluated by a comparing what individuals deserve and what they receive (Adam, 1965). How, however, does one determine what people deserve, and how much they should be taxed? The tax authority, therefore, must first judge an individual's deservingness, and only then can the fairness be evaluated. There are several rules known as 'justice rules' or distributive rules. A justice rule is a belief that outcome ought to be distributed in accordance with certain criteria (Porcano, 1984). Basically there are two primary rules⁵⁴ that affect a person's deserved outcomes which are typically used when discussing the suitability of taxes: (1) benefit rule, and (2) ability to pay or equality rule (see for example, Porcano, 1984; Barnett, 1990 and 1993; Musgrave, 1994).

⁵⁴ These two rules are also referred to as the 'beneficial principle' and the 'redistributive principle' (see Barnett, 1990).

The benefit rule requires taxpayers to make payments in line with the marginal benefits received in terms of public goods and services. Each taxpayer would be taxed in line with his or her demand for public services until equal to the benefits that they receive. The UK Government adopted this approach when introducing the Community Charge in 1990 as an alternative to domestic rates. The government claimed that domestic rates were not comparable with this approach where the government has to provide a lot of financial assistance to balance the local government budget. Therefore, the government argued that local taxes should be related to benefits received. Although there is an argument about distribution of benefits and taxation decisions, most researchers believe that the concept of 'fairness in exchange' should be at the centre of distributive justice.

The second rule is equality or ability to pay. This rule requires individuals to receive similar outcomes regardless of the differences in their situations⁵⁵. This means that each taxpayer will contribute in line with his or her ability to pay, as suggested by Adam Smith. Porcano (1984) found that there is association between ability to pay and taxpayer compliance. We can see for example, that the failure of the Community Charge as a local taxation is associated with the UK government ignoring the importance of the ability to pay rule (Barnett, 1990 and 1993). Barnett further concludes that the UK government had learnt from their previous deviation from the equality rule in the Community Charge (Poll Tax) when replacing it with Council Tax. The distribution of the tax burden, therefore, should be based on a fairness norm rather than be derived from a premise of entitlement (Musgrave, 1994). If we refer to the

⁵⁵ This refers to those who, with equal ability, should pay the same (horizontal equity), while those with higher abilities should pay more (vertical equity).

‘Maxims of Taxation’ proposed by Adam Smith (1776, p.310), he combined both the benefit and ability to pay considerations in one dictum:

The subjects of every state, he argued, ought to contribute toward the support of the government, as nearly as possible, in proportion of their respective abilities, that is in proportion to the revenue which they respectively enjoy under the protection of the state.

Most researchers have found equity or fairness perceptions to be positively related in some way to the level of tax compliance (Spicer and Becker, 1980; Porcano, 1984). Spicer and Becker (1980) demonstrated through a laboratory setting that perceptions of equity could significantly affect tax compliance. On the other hand, Porcano (1984) suggests that there is a general referential standard of equity that overrides differences in individual background.

Generally, there is an agreement that taxation should be based on benefit received and the ability of the taxpayer to pay. As regards this agreement, therefore, this study intends to compare whether there is any significant difference in the taxpayers’ perception about satisfaction of benefit received between local authorities with high collection performances and local authorities with medium and low collection performances. This study also intends to find out if there is any significant difference in terms of taxpayer ability to pay between local authorities with high collection and local authorities with medium and low collection. Two hypotheses relating to principle of equity or fairness will be tested:

H₀₁ There is no significant difference in the perceptions of taxpayers about satisfaction of benefit received between local authorities with high collection performances and local authorities with medium collection performances and local authorities with low collection performances.

H₀₂ There is no significant difference in terms of taxpayer ability to pay between local authorities with high collection performances and local authorities with medium collection performances and local authorities with low collection performances.

3.2.2 Clarity of the Assessment Tax System

The term ‘clarity’ and ‘understanding’ of tax systems refers to the same issues as indicated earlier by Adam Smith (1776: pp. 307-309):

...the tax which an individual is bound to pay ought to be certain, and not arbitrary. The time of payment, the manner of payment, the quantity to be paid, ought all to be clear and plain to the contributor, and to every other person. Where it is otherwise, every person subject to the tax is put more or less in the power of the tax-gatherer.

On the other hand, Meade (1978) and Jackson (1994) preferred the term ‘simplicity’ as a basic requirement for a tax system. The simplicity or understanding of the structure of the tax system will influence taxpayers’ acceptability of the tax system (Meade Report, 1978). This Report highlighted a number of attributes that a tax system should have in order to increase its clarity. These are:

- a clear definition of what is and what is not taxable;
- the amount of tax to be paid on each taxable object;
- a clear definition of tax base; and,
- the purpose the tax is intended to serve.

Hajah Mustafa (1996) strongly believed that knowledge and understanding of the tax system would further explain taxpayer compliance behaviour. He claimed that taxpayers with knowledge of tax laws and systems or even having some understanding about tax matters, would comply more when compared with others who do not possess

such knowledge. He further stated that a taxpayer who can understand the tax computations or tax payable, and the tax system, and is able to compute his/her tax payable, is said to possess such knowledge of taxation. This discussion was referred to in his study of whether the Malaysian Government was ready to implement Self Assessment System (SAS) as an alternative to the present system, Official Assessment System (OAS). He believed that some lessons could be learnt from Japan's experience when SAS was first introduced. Lack of necessary knowledge of tax laws and regulations of SAS impeded its implementation (Ishi, 1993). As a response to this problem, the Japanese authorities immediately embarked on educating the taxpayers on the tax regulations under SAS.

As clearly shown in Figure 3.2, knowledge and understanding of tax system variables appearing as one separate component was not included in the structure of tax system component. Implicitly, if the characteristics suggested by the Meade (1978) and Jackson (1994), and Adam Smith's principle of certainty, are accepted as a good tax system structure, knowledge and understanding of the tax system attributes were therefore automatically included.

This study adopts the structure of tax systems as described above. This means that the knowledge and understanding variables will be combined as one component in the structure of the tax system. The hypothesis to be tested in this study is:

H₀₃ There is no significant difference in the perceptions of taxpayers about the clarity of assessment tax system between local authorities with high collection performances and local authorities with medium collection performances and local authorities with low collection performances.

3.2.3 Convenience of Payment

This principle has not been widely discussed in the literature, possibly because it is self-evidently desirable (Heady, 1993). However, Adam Smith suggested that (Adam Smith, 1776; Book V, Chapter II, Part II: pp. 349-352):

...every tax ought to be levied at the time, or in the manner, in which it is most convenient for the contributor to pay...

Adam Smith's suggestions correspond to what has been widely discussed in the accounting information systems (see for example, Robinson *et al.*, 1982 and Gelinas *et al.*, 1990 and Mikesell, 1974 and 1996). The main focus of these authors is centred on the issues of billing and collection systems that must make it convenient for the contributor to pay. The LGA 1976 partially recognised the importance of these issues as it prescribed in detail when the bills should be issued to taxpayers (Section, 133).

With regard to this study, therefore, the differences in terms of convenience of payment offered by the local authority is considered as having the potential to influence taxpayer compliance behaviour. Hence, a related hypothesis to be tested in this study is:

- H₀₄ There is no significant difference in the perceptions of taxpayers about the convenience of payment to local authorities with high collection performances and local authorities with medium collection performances and local authorities with low collection performances.

3.2.4 Compliance Cost

Compliance costs can be divided into two component elements, that is, administration costs and those costs incurred by private taxpayers⁵⁶ in order to cope with their tax liabilities (Meade Report [1978]). A simple example of the types of compliance costs resulting from the taxation system operated by countries is shown by the 'pay as you earn (PAYE) system used for income tax collection in the UK and Malaysia. Under this system, employers have a duty to deduct income tax from their employees' wages and salaries and to pass this sum on to the Inland Revenue. The full costs of operating this system are borne by employers. In addition, the result of the introduction of a new self-assessment system of taxation for the self-employed in the UK will inevitably add to the compliance burden faced by the individual.

Part of this compliance burden is the amount of time which the taxpayer spends in keeping records of their income receipts and in completing their tax returns. They also have to bear additional costs if they employ tax experts, such as accountants and/or lawyers, to help them to complete their tax returns (Pyle, 1993). All taxes, whether on income, property, inheritance, company and so on, have associated compliance costs.

There are few studies that focus on the compliance costs of the local tax system, especially property taxes, as compared to studies of the compliance burden imposed by

⁵⁶ Compliance costs for individuals include the costs of acquiring sufficient knowledge to meet their legal requirements; of compiling the necessary receipts and other data and completing tax returns; payments to professional advisers for tax advice; and incidental costs: postage, telephone and travel in order to communicate with tax advisers or tax offices [Sandford, Godwin and Hardwick (1989)].

the income tax system. Pyle (1993) has, however, emphasised that although these studies are related to income tax, they can easily be applied to other forms of tax. Therefore, reviewing the literature on income taxpayer compliance costs will provide a better view of how a tax system that imposes extra costs can influence taxpayer compliance behaviour. High compliance costs can lead people to try to avoid them by failing to declare their taxable income or taxable assets to the tax authority.

Based on a survey of professional tax advisors and individual taxpayers, Sandford (1973) found that compliance costs accounted for between 1.9% and 3.4% of total tax revenue. He concluded that low-income taxpayers had, on the average, higher compliance costs as a fraction of income than higher income taxpayer. In another study that is considered to be very comprehensive and covers the whole of the UK tax system, conducted by the Bath University Centre for Fiscal Studies on the UK tax operating costs, Sandford (1989) noted that of the total operating costs for the entire tax system, compliance costs were rather more than twice administrative costs, or well over 1% of the UK GDP.⁵⁷ On the other hand, he reported that rates have relatively high administrative costs but very low compliance costs.

Sandford, Godwin and Hardwick (1989), based on a survey on taxpayers in the UK, reported that compliance costs rose with overall income, but low income self-employed taxpayers expended a larger percentage of their income on compliance than did high income self-employed taxpayers. They also detailed the types of compliance

⁵⁷ See Table 1: UK Tax Operating Costs 1986-87 (Sandford, 1989. Accountancy, February, ,p 140)

cost that may be incurred by taxpayers or third parties (e.g. employers, financial institutions, etc) in meeting the requirements of the tax system. These costs are:

- costs of acquiring sufficient knowledge to meet their legal requirements;
- costs of compiling the necessary receipts and other data and completing tax returns;
- payments to professional advisers for tax advice; and,
- incidental costs: postage, telephone and travel in order to communicate with tax advisers or tax offices.

Slemrod and Sorum (1984) carried out a survey on a random sample of 2000 Minnesota residents. The questionnaire contained two sections. The first section asks about demographic information. The second section of the questionnaire solicits information about time spent during the year to compute tax liability, money spent in filing tax returns, and also the taxpayer's attitude towards filing returns. The results indicate that, on average, respondents spent 26.7 hours of their time on tax filing; US\$61 on professional tax advice and other outlays. They further concluded that the cost of compliance is approximately 1.4% of aggregate adjusted gross income, and more than 7% of total federal and state income tax revenue.

In 1992, Green analysed returns from a survey of some 1,500 tax practitioners in the United Kingdom (Green, 1996). She concluded that many practitioners felt that compliance costs were unduly high when a client's affairs were dealt with by officials in more than one location, or when they were transferred to a new district. She also reported that two-thirds of the respondents felt the restricted set-off of income from different sources increased compliance costs, and 73% said the same about the various

bases of calculation that existed under the schedular system for different sources of income.

The first study on compliance costs of taxpayers in Malaysia was carried out by Hajah Mustafa (1996). This was based on a survey of 300 respondents who were chosen from two main regions: northern and central (Kuala Lumpur) Peninsular Malaysia. Respondents were asked whether they:

- maintained books of records of bills and receipts of transactions;
- keep books of records for tax return preparation;
- how much time in a month they spent on record keeping;
- how much money they had spent on hiring tax advisors and how much time had been spent with them; and,
- other costs incurred in the preparation of their annual tax return.

The findings of this study indicate that the compliance costs of the owner managers are much higher than the other groups of taxpayers. On average, these owner managers paid RM250 for professional help, whereas the other groups of taxpayers prepared their own tax returns and did not rely on professional advisers.

As a general conclusion, the above findings show that the effect of compliance costs within the taxation system is that taxpayers incur compliance costs in any system of taxation, whether local or national. Frequently, however, the theoretical and empirical analysis of taxpayer compliance omits the treatment of the compliance costs (Pyle, 1993) or alternatively often underestimates the importance of compliance costs when considering tax reforms (Green, 1996). Given the importance of compliance costs

(Meade Report, 1978; Pyle, 1993; Jackson, 1994; Green, 1996; Hajah Mustafa, 1996), therefore, this study intends to find out the level of compliance cost in the local property assessment tax system in Malaysia and the effect this may have on the payment of the assessment tax itself. As reported by Sandford (1989) UK local rates have very low compliance costs (only 0.37%). No information is available at the present time in relation to the Malaysian rating system. While Malaysia has continued to follow the rating system established by the British it clearly doesn't mean that compliance costs are potentially identical. More importantly, from the point of view of this thesis, the question to be answered is whether compliance costs within the Malaysian rating system lead to people trying to avoid, or not pay, their tax bill.

With regard to the above issue, therefore, this study examines the level of compliance costs of the three local authorities with different levels of assessment tax collection performance. Thus, a related hypothesis to be tested in this study is:

H₀₅ There is no significant difference in terms of compliance costs between local authorities with high collection performances and local authorities with medium collection performances and local authorities with low collection performances.

3.3 Financial Information

A transparent link between local spending and taxation decisions is said to enhance the accountability of government and was highlighted by Jackson (1994) when discussing the efficiency of the UK local government finance system. This view was consistent with the Governmental Accounting Standards Board's (GASB) in its Statement No. 1: Objectives of Financial Reporting, where 'accountability was regarded as the cornerstone of government financial reporting' (1987, p.28). In response to GASB, CIPFA (1995) added that the concept of stewardship in the public service is closely related to the concept of accountability. The Institute also believes that financial information is one of the key ways in which accountability is communicated, and that therefore public service organisations have an opportunity to use published financial statements as the main vehicle for demonstrating their accountability. In this context the accountability of an organisation, according to Bird (1973, p.2), involves:

...two fundamental features: the need for the agent to 'render an "account" of his dealings with the stewardship resources, and [to] submit to an examination (usually known as an "audit") of that account by or on behalf of the person or body to whom he is accountable.

In the case of local authorities, they have to be accountable to more than one principal at the same time:

- central and state⁵⁸ government for its use of government grants;
- local inhabitants for the applications of council tax proceeds;
and,
- creditors for loans raised.

⁵⁸ This specifically refers to Malaysia where the federal system is in practice.

This, according to Coombs and Edwards (1996), has given rise to the development of the accountability and control framework of local government, which consists of the following elements:

- the duty to make returns to central [and state] government;
- central [or state] control over the levels of capital and revenue expenditure;
- statutory control over the management of local authority debt and its repayment;
- the duty to provide annual reports to elected [or appointed] members, council taxpayers and local electors; and,
- the external audit.

The first three provisions are concerned with enabling the state government to monitor and control local operations, while the last two are directed towards protecting the interests of the local inhabitants. Collins, Keenan and Lapsley (1991) support the above framework, especially the last two aspects of accountability, and stress that local authorities are obliged to make financial information available for public inspection both by providing access to routine accounting information and by disseminating these annual reports and accounts to interested parties.

This study therefore concentrates on accountability in providing relevant information to ratepayers and local inhabitants and aims to examine whether disclosing this type of information can influence ratepayer compliance behaviour. Financial information provided by public service organisations should assist users in assessing the ability of government organisations in managing their affairs and resources efficiently and effectively (GASB, 1987). In addition, financial statements are the only audited

source of financial information available to users. The needs and interests of the users of public services, therefore, can be met by providing such information in the financial accounts of such organisations. CIPFA (1995) outlines the needs and interests of the users of public service financial accounts as presented in Table 3.3.

Table 3.3: Needs and Interests of the Users of Public Service Financial Accounts

User	Interests and Needs
The Public as Voters	<ul style="list-style-type: none"> to assess the performance of their elected representatives
The Public as Taxpayers	<ul style="list-style-type: none"> to confirm that the level of taxes and charges is justified
The Public as Service Users	<ul style="list-style-type: none"> to assess that service are provided to the highest possible standard and are distributed fairly

Source: CIPFA (1995).

In general, it can be said that the concerns of the above users (Table 3.3) rest mainly on the cost of public services, the adequacy of revenues to meet these costs, and the stewardship and efficiency of elected and appointed public officials in administering the government's financial transactions (Jones, *et al.*, 1985). Of these three users, the public as local authority taxpayers are the main focus in this study. A study by Coopers and Lybrand (1978) suggests that taxpayers are concerned with the nature and cost of municipal services and how these items will affect taxes. Although no significant evidence has been presented that financial information has any influence on taxpayer compliance behaviour, previous studies indicate, to some extent, that financial information is perceived to be useful by users of publicly financed services.

A study by Collins, Keenan and Lapsley (1991) in the UK examined the usage, understanding and nature of the information provided in local authority annual reports and accounts. Respondents to this study were divided into the following groups:

- external parties with limited resources to access the information (e.g. general public, pressure groups, media;
- external parties with direct regular access to local authority financial information (e.g. central government, the Account Commission); and,
- internal groups potential users (full-time officers and lay, elected members).

They found that:

- there is little evidence of substantial use of local authority annual reports and accounts by the external parties with direct access, except the Audit Commission;
- the evidence on which the general public might make use of local authority annual reports and accounts was indirect, but consistently negative; the pressure groups were more concerned about national rather than local perspectives; and,
- there was evidence of the use of local authority reports and accounts by both councillors (lay, elected members of authorities) and officers (full-time officials).

Maschmeyer and Daniker (1979) carried out a user survey in the United States, in all 50 states, to determine the information needs of those persons analysing state government financial activities. The objectives of this study were to:

- evaluate the usefulness of general purpose financial statements;
- examine the respondents' concerns with respect to current reporting practices; and,
- compare the responses of the users relative to state versus local reporting.

Maschmeyer and Daniker found that respondent groups were generally less satisfied with local government reporting practices than with state reporting practices. In terms of the usefulness of financial statements, they found that the statement of income and expenditure is the most important fundamental financial statement at both the state and local authority levels. The statement of changes in fund balances and financial position were viewed as being generally useful but the balance sheet was perceived as the least useful tool for decision making.

Other studies like Drebin, Chan and Ferguson (1981) and the Canadian Institute of Chartered Accountants (1986) identified potential user groups based on extensive reviews of literature and investigations about the structure of the state and local government. Drebin *et al.* (1981), for example, listed ten different constituencies interested in the financial reporting practices of government units. These included political participants such as boards of reviews, legislative bodies and voters; revenue suppliers such as taxpayers, inter-governmental granting agencies; service beneficiaries; and other paying consumers of governmental goods and services and management. The study by Jones *et al.* (1985) included a postal survey to potential users of local government financial statements. The thrust of this study, however, was focused on different types of accounting techniques, for example, full versus modified accrual; consolidated versus fund-type statement.

Studies carried out by Coombs and Tayib (1997) on UK and Malaysian local authority financial reporting was focused on disclosure practices in these countries. They descriptively explained the development financial reporting between the two countries from a historical perspective. The study also indicated that there is difficulty in

accessing financial information in Malaysian local authorities compared with their counterparts in the UK. For example, access to local authority financial reports and accounts in Malaysia is limited to councillors, auditors, the state authority, and Ministry of Housing and Local Government. Local taxpayers are conspicuous by their absence from this select group. Any individual who is interested in inspecting the financial accounts of a specific LA has to wait until the financial accounts are published in the official government gazettes. This means that the process of getting financial information by the public from any LA inevitably takes time and there is the probability of a lack of interest in the financial accounts of LAs as many potential issues fade with the passage of time.

Two of the studies discussed above (Collins *et al.*, 1991 and Maschmeyer and Daniker, 1979) highlight the usefulness of local authority annual reports and accounts relevant to this work. Maschmeyer and Daniker (1979) indicate that most of the financial statements (except the balance sheet) in the United States prepared by both state and the users perceive local government as very useful. In the UK, as shown by Collins *et al.* (1991), local authority annual reports and accounts are less used compared to those reported in the US study. This could be explained by the fact that the UK regulations are very firm on dissemination of information to the public. Local authorities in the UK, for example, are required to comply with the Citizen's Charter and publish information on standards of performance as required by the Audit Commission, while the Commission itself publishes national performance indicators for all local authorities under the Publication of Information Direction, 1992. This information may be financial or qualitative in nature. Local authorities also provide information on

budgets, grants levels etc. to council taxpayers in the literature which accompanies council tax bills under the Local Government Act 1992.

Although there were mixed results shown in prior studies on the importance of local authority annual reports and accounts to their users, there is still a potential to explore the behaviour or responses of local taxpayers in developing countries, such as Malaysia. This study, therefore, represents the first attempt to investigate whether Malaysian local taxpayers have any interest in LA financial affairs. Furthermore, it is also intended to establish if financial information has any influence on LA taxpayer compliance behaviour, again for the first time in Malaysia. In comparison, as highlighted by CIPFA (1995, p.214), the Council Tax taxpayer in the UK has the right to the information even extending to the right to inspect the accounts (including documents) and question the external auditor of UK local authority. This may, to some extent, influence the behaviour of UK local taxpayers towards the payment of the Council Tax.

It can therefore be hypothesised that the availability of financial information among local taxpayers in Malaysia can influence their compliance behaviour. Thus, a related hypothesis to be tested in this study as follows:

- H₀₆ There is no significant difference in the perceptions of taxpayers about the availability of financial information between local authorities with high collection performances and local authorities with medium collection performances and local authorities with low collection performances.

3.4 Quality of Service

The existence of local government, unlike that of a private business, is not solely dependent on satisfying its customers, nor is the revenue collected by a local government based on customer choices related to the worth of a product or a service (Rapp and Patitucci, 1977). A local authority's revenue is, in fact, based on a level of taxation that was politically acceptable at the time tax rates were established. The criteria for determining revenue are thus political, not economical. As explained by Peter Drucker (1973):

... local governments are typically paid out of a budget allocation. This means that they are not paid for by what the taxpayer and the customer mean by results and performance. Their revenues are allocated from a general revenue stream that is not tied to what they are doing but obtained by tax levy or tribute.

This can be explained, in part, by the fact that local government is a monopoly responsible for the provision of essential public services. For example, the public cannot, in the short run, put-off the consumption of many government services, such as fire and police protection; nor can they make substitutions for others, such as water supply, refuse removal and sewage disposal. Furthermore, local government is also responsible for producing certain public goods that can be provided only on a collective basis. These services will be reflected in local government expenditure. As noted by the Layfield Report (1976, p.15):

In the years 1949/50 to 1973/74, during which time the functional responsibilities of local authorities remained fairly constant, their total expenditure rose from £1,300 million to £14,600 million - an eleven-fold increase over a 25-year period. Over the same 25-year span local government expenditure on goods and services has

taken an increasing share of the gross domestic product, rising from 8.6% in 1949 to 12.4% in 1974.

In Malaysia, the increase in the total administration costs for local authorities doubled between 1989 and 1994 (RM1,889 million and RM998 million, respectively) (Economic Report, 1994/1995).

There is no need to shift over which comparisons are relevant. The important point is that the often-neglected subject of local expenditures is significant but, when viewed in terms of expenditures on goods and services only (as illustrated in the Layfield Report), it takes on even more significance. Thus an important question arises about whether at this level of government any mechanism operates to ensure that expenditures on these public goods are at the proper level.

Tiebout (1956) hypothesised that the availability and quality of services provided by a local government will enter into the decision-making process when choosing the local authority area in which to live. He argued that people are willing to pay more to live in a community which provides a high-quality programme of public services or in a community which provides the same programme of public services with lower tax rates. Although the assumptions⁵⁹ established in the Tiebout model were criticised as

⁵⁹ Tiebout's (1956, p419) assumptions are:

- 1) consumer-voters are fully mobile and will move to that community where their preference patterns are best satisfied;
- 2) consumer-voters are assumed to have full knowledge of differences among revenue and expenditure patterns and to react to these differences;
- 3) larger number of communities in which consumer-voters may choose to live;
- 4) restrictions due to employment opportunities not considered and assumed that all persons living on dividend income;
- 5) public services supplied have no external economies or diseconomies between communities;
- 6) there are optimal community size; and,

not ensuring economic efficiency (Foster *et al.*, 1980) these assumptions created the awareness in local government of the need to provide good services that match taxpayer demand. That delivering superior service quality appears to be a prerequisite for success, if not survival, of such businesses in 1980s and beyond is in doubt (Parasuraman, Zeithaml and Berry, 1988). Based on this literature the high standard of services provided by local governments may influence taxpayer compliance behaviour.

Oates (1969) believes that with the growing urbanisation of society, the power of the Tiebout model is relevant to the real world. For example, individuals who are working in a city centre frequently have a wide choice of suburban communities in which to reside, and the quality of the local public school, for instance, may be one of the factors of real importance in the choice of a community of residence. Oates, therefore, carried out a study to validate the Tiebout hypothesis by analysing a group of fifty-three residential communities from municipalities in north-eastern New Jersey. The results appear consistent with the Tiebout model in which rational consumers weigh the benefits from public services against the cost of their tax liability in choosing a community of residence: people do appear willing to pay more to live in a community which provides a high-quality program of public services. There is the potential, with increasing urban life styles, that the Tiebout Model will become a reality, and that therefore local governments will have to concentrate on improvement in delivering service. Shin (1977), for example, evaluated the quality of public services in three middle-size cities in Illinois. Based on the premise that citizen satisfaction is one of

7) the optimum community size seeks to attract new residents to lower average costs.

the main objectives of the provision of public services, his study focused on the qualitative aspects of the three services: street maintenance, police protection and public education. The results suggest that citizens of the three cities were less than highly satisfied with the quality of these public services.

Walsh (1991), on the other hand, supports the above argument, by taking manufacturing organisations as an example, that organisations nowadays have to build a good relationship with the consumer rather than solely focus on internal production systems. He believed that successful organisations have good external management systems rather than internal management systems. External management, in this case, refers to marketing and sales forces that are so dominant in today's business organisations. Walsh also believed that:

...what is true of the private services company is even more true of the public sector organisation subject to the requirements of public accountability (1991, p.504).

This means that citizens should have a right to evaluate the quality of the public services they receive.

To have a better quality of service is one thing, to measure it is another problem. It is easier to measure the quality of manufactured goods rather than services, but is rather more difficult for public services (see Parasuraman *et al.*, 1985 and 1988; Rogers, 1990; Walsh, 1991; Fitzgerald, Johnston, Silverstro, and Voss, 1986; Broussine and Wakefield, 1997).

Early work by Parasuraman *et al.* (1985) has provided an avenue in searching for criteria that can be used in measuring consumer perceptions towards the quality of service delivered. As an exploratory study they intended to develop a conceptual model of service quality for measuring consumer perceptions. They began by:

- reviewing the studies that investigated service quality;
- reporting the insights obtained in an extensive exploratory investigation of quality in four service businesses;
- developing a model of service quality; and,
- offering propositions to stimulate future research about quality.

The focus groups of this study were consumers and executives of four service businesses (i.e. retail banking, credit cards, securities brokerage, and product repair and maintenance). This study revealed ten dimensions⁶⁰ that consumers use in forming expectations about, and perceptions, of services, dimensions that transcend different types of services.

Fitzgerald *et al.* (1986) adopted a case study based approach to further develop and test the determinants of the service quality identified earlier by Parasuraman *et al.* (1985). The sample was limited to ten large multi-site for profit UK service organisations which were selected from each service category (i.e. financial services; transport; distribution; retail; pure services) of the SIC classification. The result corresponds to Parasuraman *et al.* (1985). In 1988 Parasuraman *et al.* refined the 1985 study by establishing four dimensions in testing the quality of service delivered: (1) Reliability; (2) Responsiveness; (3) Assurance; and (4) Empathy.

Based on these dimensions, Broussine and Wakefield (1997) surveyed the perceptions of the users (i.e. offenders) and staff (i.e. judges, magistrates and magistrates' clerks) of the Avon Probation Service⁶¹ (APS). The results generally showed that both the courts and offenders thought that APS was doing a good job.

These dimensions have yet to be tested on the quality of services delivered by the local authority. Even though Market and Opinion Research International (MORI) (1986) studied the general public attitudes towards their local authorities and services, this study strictly focused on the taxpayers satisfaction towards the services (e.g. primary school, secondary school, road maintenance, refuse collection, libraries, etc) and the priority of the services (e.g. more money should spent on...), but none of the attributes identified by Parasuraman *et al.* (1988) were tested.

Given the importance of the quality of services, therefore, this study intends to investigate and examine taxpayers' perceptions about the quality of services between local authorities with high collection performances and local authorities with medium and low collection performances. Hence, an appropriate hypothesis to be tested in this study is as follows:

H₀₇ There is no significant difference in the perceptions of taxpayers about the quality of services between local authorities with high collection performances and local authorities with medium collection performances and local authorities with low collection performances.

⁶⁰ The ten dimensions or ten key categories of 'service quality determinants' are: (1) reliability; (2) responsiveness; (3) competence; (4) access; (5) communication; (6) courtesy; (7) credibility; (8) security; (9) understanding/knowing the customer; and (10) tangibles

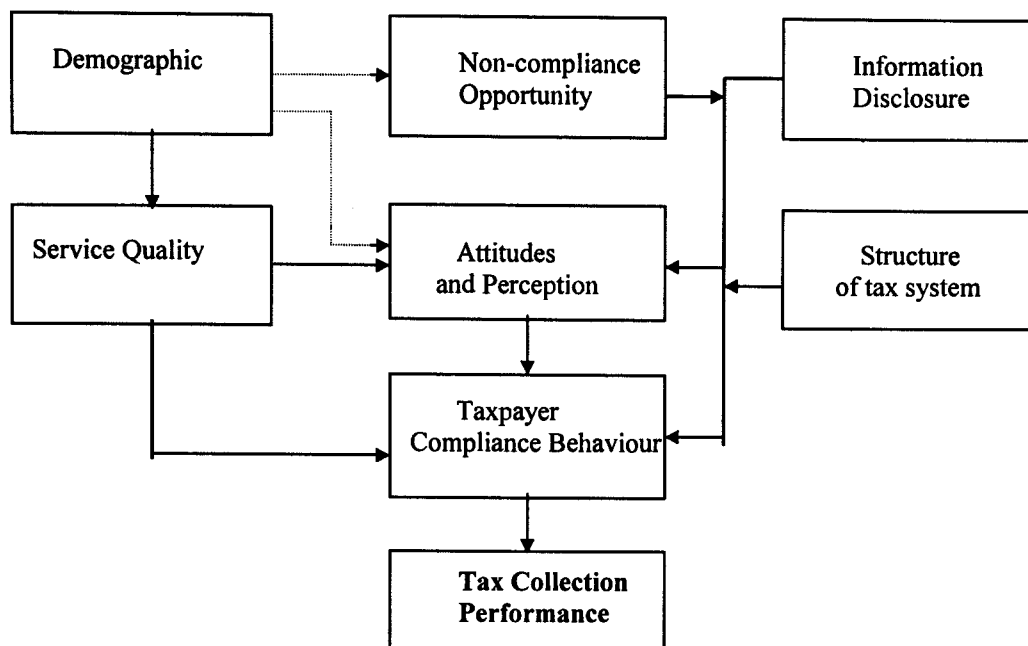
⁶¹ Avon Probation Service in the UK is part local authority and part Home Office.

3.5 Summary and Conclusions

This chapter provides a review of the theory of taxpayer compliance from various perspectives, followed by a discussion on each attribute identified that related to taxpayer compliance behaviour. Earlier studies have identified that structure, knowledge and understanding of the tax system contribute towards a positive relationship between tax systems and taxpayer compliance. Previous empirical research has also shown that taxpayer compliance behaviour is not only influenced by the tax system itself but also the quality of services provided and the government's transparent policy on public spending and taxation decisions. It was contended that if a high compliance rate could be achieved more tax could be collected.

Based on the discussion and related theory, seven hypotheses were developed for testing in this study. This study attempts to integrate the model of taxpayer compliance, service quality and information disclosure of the local authority in the context of tax collection performance. The model of this study will be as follows:

Figure 3.3: Model of Taxpayer Compliance (Local Taxation Based)



Most, if not all, of the previous studies have used the taxpayer compliance model to test tax avoidance behaviour. Issues of the quality of services tend to be ignored in this model. It is seen as essential that this issue is addressed and developed in the context of this thesis as it relates to the provision of local government services and ratepayer compliance. Figure 3.3 integrates, for the first time, the existing models as outlined in this chapter. Previously researched separately in order to allow them to be developed and related in an integrated fashion. It further develops issues such as the amount and quality of information disclosure made available to the taxpayer and the impact this has on the taxpayer's willingness to pay.

The objective of this study is to provide a better understanding of compliance behaviour on the part of local authority taxpayers and thus contribute new knowledge about taxpayer compliance behaviour in a local government context. Many of the identified variables outlined in this chapter have not been tested empirically until now.

The next chapter will discuss the efficiency and productivity of the tax administrative system.

Chapter 4

THEORY AND HYPOTHESIS DEVELOPMENT II: THE ADMINISTRATION OF THE TAX SYSTEM

4.0 Introduction

The previous chapter reviewed the compliance literature and discussed the importance of taxpayer compliance and the attributes associated with this behaviour. Although many of the studies that were examined were based on income tax taxpayer attitudes and perceptions regarding tax compliance, it has been argued that what has been discovered in relation to income tax will occur in other taxation systems as well, including local taxation (Ridge and Smith, 1991).

The effectiveness of tax systems does not rely solely on high taxpayer compliance but also on the efficiency and productivity of the administration systems supporting that tax (Hajah Mustafa, 1996). An efficient tax administrative system involves an effort to achieve the maximum outputs, in terms of revenue income, equity and the other goals of the tax, with the limited human and material resource inputs available to the tax gathering system (Kelly and Oldman, 1973). The importance of the efficiency and effectiveness of tax administration was also recognised by Mikesell (1974, p.618) in his statement that:

Whether any tax system achieves the goals set by society depends in large part on the success of the tax administrative procedure

and tax administrators [or personnel] in carrying out the procedure. While some tax legislation can be so bad as to render it impossible to administer competently, incompetent administration can render any tax system bad.

The above views imply that the effectiveness and efficiency of tax administrative procedures and practices, and supervision by highly committed tax personnel, play a strong part in determining the successfulness of the implementation, management and maintenance of the tax system. Siti Mariam (1994) also stressed that the purpose of a tax administration is to fully implement the tax system, while the purpose of a tax system is to ensure the fiscal soundness of government's policies and programmes.

As regards the assessment tax system, local authorities, under the Malaysian Local Government Act 1976, are required to administer and enforce the implementation of the local property assessment tax. The most important responsibility facing local authorities is the assessment and collection of taxes (see Part XV of the Local Government Act 1976). The Act, as stated in the Section 127, places responsibility for determination and collection of local property assessment taxes or 'rates' on the local authority. Although local authorities have a vast power to implement their duties in collecting property assessment taxes, most of them are facing an increase in uncollected revenue from year to year (as discussed in chapter two).

The issue of high levels of uncollected assessment tax revenues was identified (see Chapter 2), in general terms, as being associated with poor collection and administrative arrangements, manual filing and data management, inefficiency in managing ratepayer accounts and a lack of organisational commitment by local authorities (Nahappan Report, 1970). These observations, as already indicated, were

made without an in-depth analysis of the problems faced by local authorities in assessment tax collection but based on general observations.

The above-identified attributes correspond to Mikesell's (1974) observations. He further added that tax administrative procedures and tax personnel, who are responsible for carrying out those procedures, are the elements which play an important role in determining the successfulness of the implementation of the tax system or, more importantly, tax collection. Although the tax collection rules developed by Mikesell (1974) were based on income tax observations they have been deemed relevant to this study:

- discovery or location of taxable entities and the preparation of tax rolls;
- valuation of the individual's asset within the tax base;
- collection of the tax from the taxpayer;
- audit and examination - i.e. comparing taxable entities with the tax rolls, establishing why differences occur, and taking action based upon those differences;
- protest and appeal - to ensure that taxpayers are not illegally or inequitably treated by the tax process (this also yields benefits to the entire tax system by clarifying uncertain areas); and,
- enforcement activities and application of penalties.

The above rules, as they relate to the assessment tax system, are explicitly spelt out in the LGA 1976 through the provisions of Sections 127 to 161. Furthermore, these provisions were expected to provide clear guidance for local authorities in dealing with assessment tax collection. However, studies that were conducted after the restructuring process of 1976 (for example, Pilay and Tan, 1985; Ministry of Housing and Local

Government, 1985; Ismail, 1989 and 1991; and Hizam *et al.*, 1994) revealed comparable results to those identified earlier by the Nahappan Report (1970).

These findings, however, were not based on any empirical testing and provide no detail or any specific explanations of the observed phenomenon. Accordingly, firm conclusions cannot be made as to whether the growth in levels of uncollected local assessment tax revenue is related to the administrative procedures surrounding the collection methods or the commitment of tax personnel to their organisation and work systems. Therefore, this study empirically investigates not only the role of the revenue collection system in attempting to collect local taxes but also the efficiency and productivity of the tax administration system, the commitment of tax personnel to the organisation and the work design system practised within the tax department.

This chapter, therefore, discusses the literature relating to the administration of tax systems covering matters such as:

- the efficiency and productivity of the tax administrative system;
- the revenue collection systems;
- the organisational commitment of tax personnel;
- the work design system practised in this department.

It is divided into four sections. The first section presents a discussion on the efficiency and productivity of the tax administration systems. The second focuses on the revenue collection systems employed by local authorities, and is then followed by review of tax staff commitment to their employing organisation, and finally the work system itself.

4.1 Efficiency and Productivity of the Tax Administration System

The 1994/1995 Malaysian Economic Report revealed that total administration costs of local authorities in Malaysia had increased from RM998 million in 1989 to RM1,889 million in 1994 - a hundred per cent increase over a 5-year period. It is impossible to identify how much of this increase relates to the cost of the assessment tax administration system as either Malaysian local authorities or the state and federal governments publish no breakdown of these statistics. It is likely, however, that at least some of these extra costs relate to an increase in the cost of the assessment tax collection. As discussed earlier in chapter 2, the large amount of uncollected assessment tax income faced by many local authorities in Malaysia may also indicate that despite these increases the assessment tax administration system was becoming less efficient and low productivity exists amongst employees. It is only by means of a detailed study and an evaluation of the current assessment tax administration system that it will be possible to show whether the existing administration system is efficient and productive.

The criterion of efficiency is most easily understood in its application to commercial organisations, which are largely guided by the profit objective. In such organisations the criterion of efficiency dictates the selection of alternatives which produce the best result for the given application of resources (Simon, 1994). This measurement of efficiency involves the maximisation of income, if fixed costs are considered; or minimisation of costs, if income is considered fixed. In practice, however, the maximisation of income and minimisation of cost must be considered simultaneously, that is, what is really to be maximised is the difference between these two - profit.

However, Simon (1994) stresses that the criterion of efficiency is closely related to both organisation and conservative objectives. It is related to the organisation's efficiency objective in so far as it is concerned with the maximisation of output. It is also related to conservative objectives in that organisations are concerned with the maintenance of a positive balance of output over input.

Usually, there are fewer problems in measuring efficiency in both commercial and non-commercial organisations where the input factors are largely measured in monetary terms. Non-commercial organisations, such as local authorities, can present their output in monetary terms, such as the level of assessment tax revenue collected. Therefore, under these criteria the efficiency and productivity⁶² of the assessment tax or 'rates' department can be measured.

The work of Sandford, Godwin and Hardwick (1989) and Sandford (1990) hint that the efficiency and productivity of the local rates department can be calculated. Sandford (1990) shows how the total operating costs can be calculated, i.e. by adding up compliance costs and administrative costs. Administrative costs are the combination of the valuation costs⁶³ and collection costs⁶⁴ (Sandford *et al.*, 1989). The authors also provide a classification of the types of administrative costs⁶⁵ included: salaries and wages to all staff at all levels (including national insurance contributions and superannuation costs); accommodation costs (including rents, rates, heating,

⁶² Productivity is the rate at which goods are produced, or the amount of goods produced by each worker (BBC English Dictionary, 1993).

⁶³ In the UK rateable values of the properties are determined by the Inland Revenue Valuation Department for all domestic, business and commercial premises (See Sandford *et al.*, 1989).

⁶⁴ Local authorities carry out the collection of the domestic (local) rates.

⁶⁵ These costs do not appear to include the allocation of central overhead from service department such as legal, personnel and finance.

lighting and cleaning); postage; telephone; printing; stationary; travel; computing and other equipment costs.

Although the above studies have identified and classified the administrative costs of the rating system, no further efforts to measure the efficiency and productivity of UK local rating departments have been found. No prior research has been conducted on the efficiency and productivity of tax administration systems for the Malaysian local assessment tax. Furthermore, the Malaysian Ministry of Housing and Local Government have made no attempt to identify or calculate either the compliance costs of the local assessment tax or the administrative cost of the tax system itself.

There have, however, been attempts to assess the efficiency and productivity of the income tax administration systems. The first attempt to study the efficiency and productivity of tax instruments in the Malaysian economy was carried out by Barjoyai in 1993. A general equilibrium model was used to evaluate the national tax reform proposals of 1988. The results of the study indicated that corporate tax was the most efficient and productive instrument in the Malaysian economy. Payroll tax, on the other hand, was found to be both inefficient and unproductive.

The model⁶⁶ adopted in Barjoyai's study in evaluating the efficiency and productivity of the Malaysian income tax administrative system was very sophisticated, extensive and technical compared to Hajah Mustafa (1996). Hajah Mustafa adopted Ishi's (1993) approach in measuring the efficiency of the Japanese tax administration - by

⁶⁶ General equilibrium analysis is an attempt to deal with the inter-relationships between sectors based on macroeconomics theories. It is a system of simultaneous equations describing the demands and supplies of each commodity in an economy (Barjoyai, 1991, p99).

comparing the relative size of the administrative costs with tax revenue. The objective of both studies was to determine whether the income tax administrative systems practised in Malaysia and Japan were efficient compared to other developed countries, such as the USA, Canada and United Kingdom, Australia, New Zealand and Indonesia.

With regards to the productivity of the tax administrative system, Barr, James and Prest (1977) highlighted that, in a comparison between the UK, the USA, Canada and Sweden in 1977, the UK tax administrative system lagged behind these countries. Kay and King (1980) proffered a reason as to why the UK tax administrative lagged behind that of Internal Revenue Service (IRS) in the USA. Extensive use of computers by the IRS in the USA as compared to the UK was supported as the main explicator. Barr *et al.* (1977) also claimed that the actual returns handled by one of the IRS's branch office was double that of some of the UK tax branches. This supports that IRS personnel were more productive compared to their counterparts in the UK.

In measuring the productivity of the Malaysian Inland Revenue Board (IRB) personnel, Hajah Mustafa (1996) calculated an employee productivity ratio by comparing the number of employees and their number of working days in hours to the total number of taxpayers and expressing this in terms of hours spent in dealing with the affairs of each taxpayer. The result achieved shows that on average each employee spends approximately six hours on each case dealt with. By extension this principle can be extended to local authorities. A comparative analysis on the productivity of the local rates department personnel with other local authorities will indicate whether

their personnel are productive in handling ratepayer records. This type of analysis, however, has not yet been carried out in Malaysian local authorities.

In this study, the efficiency and productivity of local authorities with different levels of assessment tax collection performance are examined. The hypotheses relating to efficiency and productivity are as follows:

- H_{o1} The efficiency of the assessment tax administration does not differ between local authorities with high, medium and low collection performances.
- H_{o2} The productivity of the assessment tax administration system does not differ between local authorities with high, medium and low collection performances.

4.2 Tax Collection

4.2.1 Revenue Collection System

In general, a revenue collection system consists of three major functions. Firstly, it must ensure that all goods and services provided to customers are promptly and properly billed to the recipients. Secondly, the costs of goods and services provided must be established and recorded. Finally, customer accounts must be managed with accuracy and integrity. Robinson, Davis and Alderman (1982, p.426) also suggest that:

...from initial billing to final settlement of the account, good customer relations must be promoted and maintained. Account mismanagement creates customer suspicion and antagonism and may ultimately cause the customer to change to a competitor.

With respect to the revenue collection function of public organisations, Nash and Heagy (1993), claimed the following functions are applicable to government organisations:

- tax assessment;
- revenue appropriation; and,
- tax collection.

Nash and Heagy see revenue appropriation as a necessary function in the revenue collection department, especially for the tax and contribution-support organisations (e.g. charities). They believed that revenue appropriation should be also taken account of as a part of the organisation's revenue. This study, however, concentrates on investigating the process of the local assessment tax collection by local authorities. As far as the Malaysian local authorities are concerned, activities related to billing and

collection are the most crucial aspects in managing their local assessment tax collection.

The billing/accounts receivable/collection (BAC) system, according to Gelinas, Oram and Wiggins (1990), is an interactive structure of people, equipment, methods, and controls, designed to create information flows and records that support the repetitive work routines of collection departments. This is achieved by capturing, recording, and communicating data from the tasks of billing customers, managing customer accounts, and collecting amounts due from customers. The BAC system, therefore, occupies a critically important position in the local authority system as, if implemented and operated efficiently, it assists in rapid billing, close monitoring of taxpayer accounts and, most significantly, timely collection of cash from the taxpayers.

Studies of the financial difficulties faced by local authorities in Malaysia have indicated that the low collection of property taxes is associated with poor collection systems (see for example, Nahappan Report, 1970; Pilay and Tan, 1985; Ismail, 1989 and 1991). The poor collection systems reported in the Nahappan Report (1970) were based on their observations and interviews with several local authority officers. The Report, however, did not offer an explanation about why such poor collection systems existed. The interpretation of 'poor collection system' is also subject to interpretation. For example, it could be referring to the totally inefficient recording of the amount of rates collected, or the lack of proper records of taxpayers being kept by local authorities etc.

Pilay and Tan (1985, p.7) indicate that:

... in many instances this important local revenue cannot be collected due to problems of poor administrative arrangements, poor billing and collection.

Unfortunately, they did not provide any explanation of the above issues. This is because their study was mainly focused on the analysis of the financial sufficiency of each local authority studied. They concluded that local authorities must have sound financial backing in order to function effectively and to be able to provide essential urban services. Ismail (1989 and 1991) was further extended by the work of Pilay and Tan⁶⁷ (1985). These studies, however, did not further identify or explain what actually constituted poor billing and collection practice, and also they provide no guidelines or other attributes that could assist local authorities in improving their systems.

The UK Audit Commission (1994) also found similar issues to those reported by its Malaysian counterpart. This report suggested:

...that collection would be improved if councils had more accurate property records ... (Audit Commission, 1994, p.1).

Post and Hochberg (1989) prepared a case study on managing customer accounts that indicated that one of the most important characteristics of accounts receivable management is maintaining a close and constant watch on these accounts. They found that accounts more than 60 days old lose approximately 50% of their value if no payment activity occurs within the next 30 days. This means that for each additional 30 days that pass, the collection value halves once again. Having identified the results

⁶⁷ Pilay, Tan, and Ismail were senior staff in the Local Government Division, Malaysian Ministry of Housing and Local Government. Most of data used in their studies are collected from departmental records and files.

of poor collection practice Post and Hochberg (1989) indicate the characteristics that can turn bad accounts into good accounts. These are:

- incentive for prompt payment
- penalties for late payment
- action taken against non-payment.

The above strategies were also suggested by Oldman (1965), Surrey (1975) and Shoup, Due, MacDougall, Oldman, and Surrey (1959) in dealing with delinquent taxpayers. Furthermore, the LGA 1976 also prescribed a similar action (excluding any incentives for prompt payment) against to non-compliance of assessment tax through the provisions of section 148 to 156.

The question to be asked is whether any of the above strategies can be used as an instrument to solve local authorities' arrears problems. In this study, therefore, an investigation and examination of the use of the above strategies between local authorities with high, medium and low assessment tax collection performances will be made.

From the above discussion, two related hypotheses can be drawn.

- H₀₃ Billing and collection of assessment tax practised by local authorities does not differ between high, medium and low level collection performances.
- H₀₄ The way local authorities manage their taxpayer accounts does not differ between high, medium and low level assessment tax collection performances.

4.2.2 **The Use of Information Technology**

Information technology has become, and is increasingly likely to be, an important component in the information systems structure which can assist in collecting, storing, and managing data and other related information for users (see for example, Surrey, 1965; Smith, 1969; Gelinas *et al.*, 1990). The effectiveness of using information technology has been identified in the UK as a critical ingredient of good Council Tax collection (Audit Commission, 1994).

A further report by the Audit Commission in 1995 stated that 50% of UK local authorities had computerised their financial ledgers and 14% of office staff had a personal computer networked. As reported, local authorities in England and Wales had succeeded in collecting more than 90% of tax due from their taxpayers in 1994. To some extent, it can be said that information technology has had an impact on the Council Tax collection. This was put down in part to the extent of computerisation of council tax collection systems. The Audit Commission, however, had already reported (1994, p.7) that the introduction of computer systems was not necessarily a total success as sixty per cent of councils could not easily use their computer systems to identify those who not made any payment.

Kay and King (1980) searched for the reasons why the UK tax administration lagged behind in terms of productivity and efficiency, when compared to the USA, and concluded that it was due to an extensive use of computers by the IRS as compared to the IRD in the UK.

The impact of information technology on management is significant and can also facilitate change in public sector organisations (Morris, 1989). For example, apart from the potential for the enhancement of quality of services, early identification of error rates in the assessment of taxation cases and increasing the speed of response to customer enquiries, it can also improve the satisfaction experienced by employees in the working environment. Against these advantages of using information technology, there are also some other factors that can impede the success of its implementation, such as the costs of the technology itself, the costs related to its implementation and the complexity of the software associated with computer systems.

Although the initial costs of introducing information technology may be high the benefits received from its implementation cannot be denied. For example, Martin and Powell (1992) stated that computer-based-systems not only reduce the problem of administrative paperwork systems, but also can improve productivity. They also claimed that the costs of manual data processing tend to rise linearly with the volume of data. They indicate that 'once the initial installation costs of the computer system have been overcome, it may cost little to expand the system to cope with extra volumes of data (p.7).' It has been argued that with small data volumes the computer system initially costs more than an equivalent manual system, because of the capital outlay on equipment and set-up costs. As the data volume rises, the manual system costs will increase while the computer costs remain roughly constant. The data volumes rise as the number of taxpayers increase from year to year. The number of assessment taxpayers, for example, in the Shah Alam Municipal Council (SAMC) increased from 24,583 in 1990 to 36,595 in 1995 and is projected, on average, to be increasing at the rate of 5.2% every year (SAMC Annual Report and Account, 1996).

This is due to the growth of the urban population. The urban population in Peninsular Malaysia, for example, increased from 37% of the total population in 1980 to 45% in 1990 and is projected to increase to 54% by the year 2000 (MHLG, 1985). This has implications for local assessment tax collection procedures as local authority systems will need to be able to cope with this influx if the arrears problem is not to deteriorate further.

In Malaysia, the adoption of information technology by local authorities is growing. In the late 1980's, the Government of Malaysia introduced a computerisation policy whereby all local authorities were encouraged to use computerised systems in their offices. To ensure the policy became reality the government provided financial assistance to acquire the systems (Ismail, 1987). Unfortunately, again, there has been no research into the success of this policy of using information technology extensively in local government management systems. This is particularly relevant to this project given that income collection systems are potentially one of the areas which can benefit most from the application of information technology. In addition one of the most critical problems faced by almost all local authorities is a difficulty with obtaining appropriately qualified staff. As identified by Manfred Kops (1988), Chahl (1988), and Hizam *et al.* (1994), most local authorities in Malaysia suffer from staffing constraints and certain functions can hardly be carried out. By using information technology some of functions may be computerised and the potential for this development is considered in this thesis.

Since the use of information technology has the potential to improve the productivity and efficiency of tax administration systems, (especially in managing the level of

arrears) an appropriate hypothesis to be tested in this study, stated in its null form, is as follows:

H₀₅ The use of information technology does not differ between local authorities with high, medium and low assessment tax collection performances.

4.3 Organisational Commitment

Although there is a universal paucity of previous studies of the association between the revenue collection system and the amount of tax collected at the local authority level, it is felt that one of the most important components of income generation is 'people'. Based on the accounting information system literature, the revenue collection system is seen as an interactive structure of people, equipment, method and controls that are designed to perform the tasks of billing customers, managing customer accounts and collecting amount due from customers (Gelinias *et al.*, 1990). It can, therefore, be concluded that central to this process are the attitudes and actions of people in their capacity as employees of the local authority. 'People' in this structure are defined by Mikesell (1974, p.618) as the tax personnel who are involved in establishing and implementing the rules of collection. The relationship between these individuals and the organisation is the subject of this section.

While the basic principles and practices of the tax administrative system may not differ significantly between local authorities, there is uncertainty over the commitment of personnel carrying out the administrative rules and procedures within the organisation. An understanding of what this commitment is a prerequisite to designing and successfully implementing all strategies and action plans of the organisation (Abas, 1991). As indicated in the Nahappan Report (1970), the huge amount of uncollected local taxes could be due to the lack of commitment by local authority management.

Abas (1991) also claimed that the high commitment shown by top management and strong leadership is a prerequisite in achieving an organisation's objectives. Manfred

Kops (1988) explored this concept in the context of Malaysian local authorities and found that the low organisational commitments faced by local authorities in Malaysia was due to a number of reasons: These reasons included:

- shortage of manpower;
- low image or reputation of the local authorities within the public and private sector; and,
- competition from various government agencies and statutory bodies.

He also argued that the poor image of local authorities affected the level of staff motivation and encouraged the best-qualified staff to move to other agencies. Phang, Stephen and Siti Rohani (1988, p.79) highlighted that:

...most councils face manpower shortages due to turnover or the enforced federal government job freeze: some councils face both equipment shortages and the lack of trained or qualified workers to man equipment and vehicles.

The above findings, to some extent, are related to commitment expressed and demonstrated by an organisation towards its staff. The meaning of the term organisational commitment, however, varies and there is little consensus among researchers as to its definition (Buchanan, 1974). The widely divergent use of the term of organisational commitment according to Mowday, Porter, and Steer (1982), arises because researchers from various disciplines tend to ascribe their own particular meaning to the concept. They provide the definitions shown in Table 4.1 to reflect the divergent conceptions of organisational commitment.

Table 4.1: The Conceptions of Organisational Commitment

Authors	The Conceptions of Organisational Commitment
Becker (1960)	Commitments come into being when a person, by making a side-bet, links extraneous interests with a consistent line of activity.
Grusky (1966)	The nature of relationship of the member to the system as a whole.
Kanter (1968)	The willingness of social actors to give their energy and loyalty to social system, the attachment of personality systems to social relations which are seen as self-expressive.
Brown (1969)	(1) It includes something of the notion of membership; (2) It reflects the current position of the individual; (3) It has a special predictive potential, providing predictions concerning certain aspects of performance, motivation to work, spontaneous contribution, and other related outcomes; and (4) It suggests the differential relevance of motivational factors.
Hall, Schneider & Nygren (1970)	The process by which the goals of the organisation and those of the individual become increasingly integrated or congruent.
Sheldon (1971)	An attitude or an orientation toward the organisation which links or attaches the identity of the person to the organisation.
Hrebiniak and Alutto (1972)	A structural phenomenon which occurs as a result of individual-organisational transactions and alterations in side bets or investments over time.
Buchanan (1974)	A partisan, affective attachment to the goals and values of an organisation, to one's role in relation to goals and values, and to the organisation for its own sake, apart from its instrumental worth.
Salancik (1977)	A state of being in which an individual becomes bound by his actions and through these actions to beliefs that sustain the activities and his own involvement.
Weiner and Grechman (1977)	Commitment behaviours are socially accepted behaviours that exceed formal and/or normative expectations relevant to the object of commitment.

Source: Mowday, Porter and Steers (1982).

Based on the definitions and conceptualisations of organisational commitment given, it could be said that the concept could be categorised into three main dimensions:

- a strong belief in and acceptance of the organisation's goals and values;
- devotion and willingness to exert considerable effort on behalf of the organisation; and,
- employee's loyalty or a definite desire to maintain organisational membership.

Research conducted within this framework had indicated that commitment is not only a predictor of employee retention (Porter *et al.*, 1974), but may also be a predictor of employee effort and performance (Mowday, Porter and Dubin, 1974; Mowday, Steers and Porter, 1979). Thus, a committed employee's definite desire to maintain organisational membership could have a clear relationship to motivation to contribute to the organisation's goals and objectives. Willingness to exert considerable effort on behalf of the organisation's goals and values, in combination, have implications for the employee's motivation to produce for the organisation in accordance with the explicit organisational mandates. In the context of this thesis, employees who are highly committed to organisational goals and values should have a strong motivation to improve tax collection rates. Less committed employees, on the other hand, have no interest and are always 'satisfied'. Thus, a related hypothesis to be tested in this study, stated in its null form, is as follows:

H₀₆ There is no significant difference in the perceptions of tax staff about the organisational commitment of local authorities with high collection performances and local authorities with medium collection performances and local authorities with low collection performances.

4.4 High-commitment Work System

The crisis of productivity in the American economy adds urgency to the need for employers to understand how work system design affects employee performance and well being, and how work systems can be designed to achieve the desired business and behavioural outcomes (see Beer, Spector, Lawrance, Mills and Walton, 1984; Walton, 1985). In the past, according to Wood and Albanese (1995, p.216):

...managements are characterised as having traditionally been more concerned with achieving compliance and conformity to their regulations and standard operating procedures.

This type of work environment is highly relevant to the post war era which is dominated by a mass production system built upon 'the stable demand for a large number of standard products' (Sabel 1982, p.195), but it may no longer be appropriate for the modern world. Management, therefore, has been urged to abandon this traditional approach, alternatively termed 'the control strategy' (Walton, 1985), and to create the conditions for employees to display initiative by taking more responsibility for monitoring their own behaviour (Wood and Albanese, 1995). As a result of this work, there is some awareness of the extent to which negative behaviour at work might be tied to the manner in which work is designed and the manner in which people are managed.

Table 4.2: A Summary of Work-System Approaches

	Control or Traditional Approach	Transitional	Commitment Strategy of High-Commitment Work System
Job design principles	Individual attention limited to performing individual job	Scope of individual responsibility extended to upgrading system performance,, via participative, problem solving group in QWL, EI and quality circle programs	Individual responsibility extended to upgrading system performance
	Job design deskills and fragments work and separates doing and thinking	No change in traditional job design or accountability	Job design enhances content of work, emphasises whole task, and combines doing and thinking
	Accountability focus on individual		Frequent use of teams as basic accountable unit
	Fixed job definition		Flexible definition of duties, contingent on changing conditions
Performance expectation	Measured standards define minimum performance. Stability seen as desirable		Emphasis placed on higher 'stretch objectives' which tend to be dynamic and oriented to the market place
Management organisation: structure, systems, and style	Structure tends to be layered,, with top down controls	No basic changes in approaches to structure, control, or authority	Flat organisation structure with mutual influence system
	Co-ordination and control rely on rules and procedures		Co-ordination and control based more on shared goals, values, and traditions
	More emphasis on prerogatives and positional authority		Management emphasis on problem solving and relevant information and expertise
	Status symbol distributed to reinforce hierarchy	A few visible symbol changes	Minimum status differentials to de-emphasise inherent hierarchy
Compensation policies	Variable pay where feasible to provide individual incentive	Typically no basic changes in compensation concepts	Variable rewards to create equity and to reinforce group achievement: gain sharing, profit sharing
	Individual pay geared to job evaluation		Individual pay linked to skills and mastery
	In downturn, cuts concentrated on hourly payroll	Equality of sacrifice among employee groups	Equality sacrifice
Employment assurance	Employees regarded as variable costs	Assurance that participation will not result in loss of job	Assurance that participation will not result in loss of job
		Extra effort to avoid layoffs	High commitment to avoid or assist in re-employment
			Priority for training and retaining existing work force
Employee voice policy	Employee input allowed on relatively narrow agenda. Attendant risks emphasised. Method include open-door-policy, attitude surveys, grievance procedures, and collective bargaining in some organisations	Addition of limited, ad hoc consultation mechanisms. No change in corporate governance	Employee participation encouraged on wide range of issues. Attendant benefits emphasised. New concepts of corporate governance
	Business information distributed on strictly defined 'need to know' basis	Additional sharing of information	Business data shared widely
Labour management	Adversarial labour relations: emphasis on interest conflict	Thawing of adversarial attitude: joint sponsorship of QWL or EI: emphasis on common fate	Mutuality in labour relation: joint planning and problem solving on expanded agenda
			Unions, management, and workers redefine their respective roles

Source: Walton, R. E., (1985).

Walton (1985) examines closely the two different approaches in work systems (see Table 4.2):

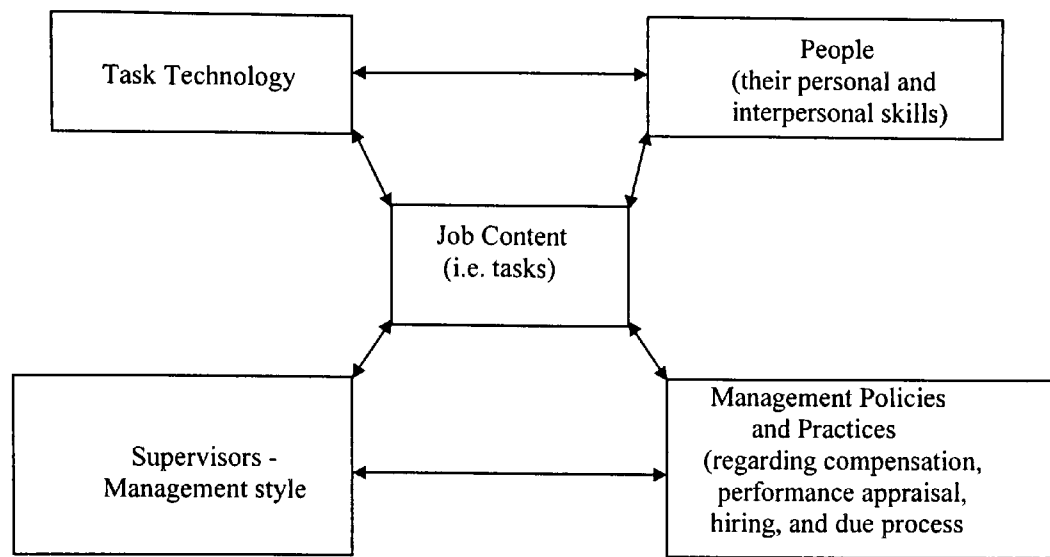
- the traditional work system⁶⁸ - or control-oriented-approach; and,
- the commitment strategy or high-commitment work system as Beer *et al* (1984) calls it.

As a summary, the term work system, as discussed by Beer *et al.* (1984) and Walton (1985), refers to a particular combination of job tasks, technology, skills, management style, and personnel policies and practices. These are seen as determining how work is organised and managed, how employees experience work, and how they perform. The relationship between these components, i.e. job tasks, technology, skills, management style, and personnel policies and practices, is illustrated in the Figure 4.1. This shows the contrast between the control (or traditional) approach and the transitional process to a high staff commitment work system. The characteristics of these work systems which are relevant to the effect on the collection of the local assessment tax by Malaysian local authorities will be explored in this thesis.

Job content, as shown in Figure 4.1, is at the core of the work system and covers the design of the work itself. The job requirements are determined by the scope and organisation of the immediate tasks. Discretion in carrying out these tasks can be very closely defined or can be very broad. The individual's responsibility may be confined to executing defined tasks or it may include contributing to goal setting, planning, and problem solving. These job attributes tend to be related to the seniority of the post.

⁶⁸ Developed based on Frederick Taylor's principles or also called as Scientific Management - see Table 4.1 for further analysis of the traditional work system.

Figure 4.1: Work System



Source: Beer, Spector, Lawrance, Mills and Walton (1984).

In relation to Figure 4.1, technology is increasingly considered as having a major influence on job design and, indeed, other components of the overall work system. Similarly, as illustrated, as a further component of the work system is the set of skills and attitudes that employees bring to the workplace and those which are developed by the work experience itself. The selection processes from these skills can be centred on the requirement for the employee to perform immediately, or take account of the employee's long term potential for development.

The nature of supervisors, particularly the extent to which a supervisor delegates responsibilities for planning, goal setting, problem solving and decision making, or allows workers to participate in these activities, is a key aspect in developing commitment to the work system. With respect to management policies and practices, performance appraisal systems for example, may or may not require a supervisor to sit down and talk to subordinates about current performance and potential. It could be

individually oriented or a unit-wide system. Furthermore, the employment security policy can determine whether employees may be worried over the loss of employment either for themselves or their fellow workers. These issues affect morale and motivation amongst the workforce and thus their commitment to the organisation.

Beer *et al.* (1984), when reviewing the importance of the work design system concluded that management choices concerning work system design can have a strong effect on commitment, competence, cost effectiveness, and congruence. Walton (1985) concurred and hypothesised that well-executed changes in work system design can broaden employee responsibilities and result in substantial improvements in all these areas.

Walton (1985, p.77) stated:

...managers themselves are beginning to see that workers respond best - and most creatively - not when they are tightly controlled by management, placed in narrowly defined jobs, and treated like an unwelcome necessity, but, instead, when they are given broader responsibilities, encouraged to contribute, and helped to take satisfaction in their work. It should come as no surprise that eliciting workers commitment - and providing the environment in which can flourish - pays tangible dividends for the individuals and for the company.

Walton reported that in 1970, only a few plants in the United States were systematically revising their approach to the work force. In 1975 hundreds of plant were involved, and in 1985 he estimated that at least a thousand plants were in the process of making a comprehensive change and twice that number were somewhere in the transitional stage at that time.

Wood and Albanese (1995), based on a postal questionnaire, analysed 135 of the UK's manufacturing plants by using the attributes identified by Beer *et al.* (1984) and Walton (1985) found that high commitment by management was evident. They also reveal a growth in the use of the high commitment management practices between 1986 and 1990 in the sample under study.

So far, the studies described relate a high-commitment to work focused on the extent that manufacturing plants have adopted or introduced the above work system into their organisations and work management systems. As argued by Beer *et al.* (1984) a high-commitment work system, if well executed, will often increase the employee's responsibilities and result in substantial improvements in commitment, competence, cost-effectiveness and congruence. Walton (1985) takes the view that the system will pay tangible dividends to not only individuals but also to the company.

This study, therefore, intends to extend the above approach of work systems to local authority organisations and management of work of the local property assessment tax department. Although the previous studies on the high-commitment work system are widely discussed in productivity problems with manufacturing plants, the work attributes identified could also be tested in the public sector, especially local government. If this system is workable in private companies, then by implication there may be potential that the same systems (possibly with some modification), could also be successful in other sectors as well. Therefore there is a need to explore and investigate this approach within the local government framework and the opportunity is taken in this thesis.

It can be hypothesised that a proper work system introduced by local authority management will have implications for the collection of assessment tax revenues. Therefore, an appropriate hypotheses to be tested in this study, stated in its null form, is as follows:

- H₀₇ There is no significant difference in the perceptions of tax staff about the presence of a high-commitment work system between local authorities with high collection performances and local authorities with medium performances and local authorities with low collection performances.

4.5 Summary and Conclusion

This chapter provides a review of the administrative tax systems which are involved in the application of the rules of collection to the potential tax base, followed by a discussion about each attribute associated with performance of the local assessment tax collection. Previous studies on organisational commitment provide evidence that commitment is not only a predictor of employee retention but may also be a predictor of employee effort and performance. The previous research also shows that well-executed changes in work design systems can broaden employee responsibilities and result in substantial improvements in commitment, competence, cost-effectiveness and congruence.

Based on this discussion and other related literature, seven hypotheses were developed and tested in this study. This study attempted to integrate the application of the rules of collection, the attitudes and perceptions of the tax personnel and the work system

practised in the local property assessment tax department to find out is there any significant impact on the total assessment tax collection.

This study is designed to gain a better understanding of the behaviour of local property assessment tax collection in Malaysian local government. The major contribution of the study is to incorporate not only the attitudes and perceptions of tax personnel towards their organisation, but also the way work systems have been designed and implemented in the organisation, especially local tax departments.

Chapter 5

RESEARCH DESIGN AND METHODOLOGY

5.0 Introduction

The purpose of this chapter is to explain the development of the research design and strategy used in the study. The research design guides the researcher during the collection and gathering of relevant data.

This chapter is divided into six sections. The first section describes the research design adopted in this study. Longitudinal designs utilising annual reports and accounts and other related data over the past ten years were used in analysing the efficiency and productivity of the tax administration system. A cross-sectional design was employed in investigating taxpayer compliance behaviour.

The second section focuses on issues relating to the method of data collection. Apart from secondary data, this study also employed a survey method which uses questionnaires in collecting primary data. The processes of collecting secondary data and the development of the questionnaires are described in this section.

The third section describes various sampling procedures available for selecting sampling units for inclusion in the sample. Cluster sampling design was used in this study.

The fourth section presents the phases involved in the fieldwork for the data collection process. Three Municipal Councils with different levels of tax collection performance and a total of 305 assessment taxpayers or ratepayers were involved in the study. The fifth section of the chapter describes the statistical analyses used. Finally, section six highlights the assumptions and limitations of the study.

5.1 Research Design

As discussed in chapters three and four, this study consists of two main components that are highly relevant to the total amount of tax collected. First, the study is concerned with the efficiency and effectiveness of the tax administration system in the local authorities studied over a time span of at least five years. The design selected was to compare the efficiency and effectiveness of local authorities over time, thus a longitudinal study was chosen. The aim is:

...to research the dynamics of the problem by investigating the same situation or subjects several times, or continuously, over the period in which the problem runs its course (Hussey and Hussey, 1997, p.62).

Hence, it may be possible for this study to suggest likely explanations from an examination of the trend or the patterns that emerge during the period of study. A detailed discussion of the longitudinal study is found in the section 5.2.1.

The second part of the study investigates taxpayer compliance behaviour. The attitudes and perceptions of taxpayers towards the existing local tax structure, the quality of services delivered by local authorities and the way in which local authorities discharge their accountability to the public were all examined. For this purpose, the

field survey method was used as it is most suitable for this type of study (Kerlinger, 1986).

The next section will discuss the method of data collection that is adopted in this research to study the efficiency of tax administration systems and the compliance behaviour of the Malaysian assessment taxpayer.

5.2 Method of Data Collection

There are two main sources of data collected in this study: secondary data and primary data. Secondary data is data which already exists in books, documents (for example, published statistics, annual reports and accounts of companies, and internal records kept by organisations, such as personnel records) and films (Hussey and Hussey, 1997). Annual reports and accounts and other related information, either published or unpublished, were used to analyse the efficiency and productivity of the tax administrative system, particularly those departments or sections handling assessment tax functions or activities.

Primary data is also known as original data, or data collected at source. Research using such data is known as primary research. Examples of primary research data include survey data, which was obtained for the purpose of this study in an uncontrolled scenario by means of a questionnaire.

5.2.1 Secondary Research

To evaluate the efficiency and productivity of the rates department and other related departments of local authorities, relevant information was compiled from various document sources, such as financial reports and accounts, budget reports, and departmental reports, from the past ten years (see Appendix 5.1). This study adopted Ishi's (1993) approach in measuring the efficiency and productivity of the tax administrative system. Ishi proposes two methods⁶⁹:

- 1) Compute a cost-revenue ratio whereby total administration costs are compared to total tax revenue; and,
- 2) A comparison using per-staff basis data.

Three series of data were required for calculating the above two methods. These are:

- 1) the number of staff in the assessment tax administration;
- 2) total administrative costs;⁷⁰ and,
- 3) total assessment tax revenue collected.

Rowen (1969) also considered these three series of data as appropriate for measuring the performance of a tax administration system.

Personal visits to local authorities were made by the researcher in order to obtain the above information. Although the Malaysian Ministry of Housing and Local

⁶⁹ Hajah Mustafa (1996) also used this method in analysing the efficiency and productivity of the Malaysian Income Tax.

⁷⁰ The details of the administration costs, according to Sandford, Godwin and Hardwick (1989), include the following costs: salaries and wages to all staff at all levels, including national insurance contributions and superannuation costs, accommodation costs, including rents, rates, heating, lighting and cleaning, postage, telephone, printing, stationary, travel, computing and other equipment costs.

Government is the responsible monitoring agency for local government in Malaysia, no significant help was available to the researcher as they did not have detailed data. The Director of the Local Government Division of the Ministry advised the researcher⁷¹ to contact each local authority concerned directly in order to obtain the relevant information.

Published information about Malaysian local government is limited.⁷² Therefore, the researcher had to make strenuous efforts, during personal visits to local authorities, to see accountants and other relevant heads of department to obtain additional data and statistics to that included in the financial reports and accounts. In fact, local authorities in Malaysia are not required by law to publicly publish annual reports and accounts⁷³. Obtaining the information proved to be a very demanding task as some of the data required was classified as confidential. In addition, what was regarded as confidential also differed between the local authorities investigated. Furthermore, the researcher had to follow the procedures for access to such information imposed by the councils visited. A number of appointments, for example, had to be arranged to meet several officers ranked from the President of the Council to the officers who held the relevant information. The process of collecting this information was thus very costly and time consuming in the absence of publicly available information.

⁷¹ During the process of data gathering, the researcher made a number of personal visits to the Ministry of Housing and Local Government.

⁷² Unlike CIPFA in the UK, no one body or agency or even the Local Government Division in the Ministry of Housing and Local Government in Malaysia properly compiles or publishes strategic information regarding local authorities.

⁷³ The Local Government Act 1976 prescribes that the local authority shall 'as soon as may be practical, balance the preceding financial year and annual statement of account of the Local Authority Fund shall be prepared' (Section 54(2)).

5.2.2 Primary Research

For this study, survey methods were used in the process of data collection. This is basically the process of questioning those who are believed to possess the required information (Cox, 1979).

In studying tax compliance behaviour, two options are available with regard to the unit of analysis. These are corporate and individual assessment taxpayers. In this study the individual, that is the assessment taxpayer, is regarded as the unit of analysis. This unit also used in measuring the council tax staff perceptions towards organisational commitment and work designed system practised by the council. In contrast with the view that individuals differ in perceiving reality, this research considers individual's perceptions of the:

- 1) assessment tax system; and,
- 2) organisational commitment and the work design systems.

Kerlinger (1973) argued that the sample survey could also determine the incidence, distribution, and interrelations among sociological and psychological variables such as opinion and attitudes of the respondents. Nevertheless, when compared to other methods, the survey research method has its own advantages and disadvantages. Table 5.1 shows a summary of the advantages and disadvantages discussed by Kerlinger (1973), Miller (1991), de Vaus (1991) and Hussey and Hussey (1997).

Table 5.1: Advantages and Disadvantages of the Survey Methods

Advantages	Disadvantages
The scope and coverage are wider. More information can be obtained. Survey can be undertaken either through mail or personal interview.	Survey information does not penetrate very deeply below the surface. This method is best adapted to extensive rather than intensive research.
Survey research is less expensive than laboratory and field experiments but potentially the amount of information is greater. Survey by interview potentially provides greater quality of information.	Survey research demands more investments of time and energy. It can be time consuming before certain percentage of the respondents can be covered in the survey
The researchers undertake sample surveys for the purposes of understanding the larger population from which the sample was initially selected.	This method requires a good deal of research knowledge and sophistication.
The survey method also allows for the use of statistical techniques in which the characteristics of the population may be estimated from a relatively small representative sample group.	The accuracy of information in survey research is subject to sampling error.

For the purposes of this study, the survey method was seen to be more appropriate for the following reasons:

- 1) In this study, a large amount of information had to be deduced from a relatively small sample of respondents; and,
- 2) Statistical tools are necessary to explain the:
 - a) variability of the local taxpayers' perceptions of the existing assessment tax system; and,
 - b) variability of council staff perceptions about their commitment to the organisation and work systems.

5.2.3 Organisation of the Questionnaire

A set of questionnaires was designed to obtain the data necessary to answer the research problem. Three sets of questionnaires were designed for this study. These were for the:

- 1) Local authority
- 2) Assessment tax staff
- 3) Assessment taxpayer

5.2.3.1 Local Authority Questionnaire

This was designed to obtain the necessary information regarding the revenue collection systems practised by the local authority. As highlighted in the literature (chapter 4), the revenue collection system is an interrelated system that contains three major components - billing, collection and accounts receivable. This system occupies a vital position in relation to the local authority as it assists in rapid billing, close monitoring of taxpayer accounts and cash collection from taxpayers.

The questionnaire was divided into four parts. The first three parts were designed to obtain the local authority current practice for billing, the collection method used for gathering assessment tax revenue, and how assessment taxpayer accounts were managed. The final part of the questionnaire dealt with the use of information technology in the assessment tax section and other departments related to tax collection. Details of this questionnaire are presented in Appendix 5.2.

5.2.3.1.1 **Billing and collection**

The payment procedures for billing and collecting the assessment tax revenue is specified in the LGA 1976:

...the assessment tax 'should be payable half-yearly in advance by the owner of the property at the office of the local authority or other prescribed places in the months of January and July (Section 133).

The Act also states:

...if any such sum or any part thereof remains due and unpaid by the end of February or by the end of August in each year, it shall be deemed to be in arrears (Section 147(2)).

Further, a penalty (fine) will be imposed on those who fail to pay after a specified number of months have elapsed (Section 147).

Although the Act provides the 'when' and 'where', of how tax should be paid, it is silent as to what information should be included in the bills and how to collect the tax. Several textbooks on accounting information systems provide detailed discussions on the general operating procedures of billings and revenue collection. Robinson *et al.* (1982) and Gelinas *et al.* (1990) described the procedures that should be followed by organisations in order to be effective in collecting revenue after services have been provided. These discussions include:

- 1) consideration of the content of the bill issued to customers;
- 2) the need for the bill to be promptly and accurately applied to the proper customer accounts;

- 3) that the bill must be immediately despatched to customers; and,
- 4) commentary on method of payment.

The questions, designed for the purpose of investigating the current practice for billing and collection of the assessment tax revenue by local authorities, were based on the above attributes, with some adjustments. These questions were divided into two parts:

1) ***Billing of Assessment Tax***

The questions were aimed at identifying the billing procedures for taxpayers practised by the local authorities investigated. The questions addressed:

- 1) Type of billing system
- 2) Method of billing
- 3) The content of the bills
- 4) When the assessment tax bills were despatched to taxpayers
- 5) Method by which bills were delivered to the taxpayer

2) ***Collection of Assessment Tax***

The questions in this section were aimed at identifying the facilities or other information provided by the council in the process of collecting the assessment tax.

The questions addressed:

- 1) Whether the assessment tax is levied after taxpayers have been fully informed;
- 2) Whether information regarding payment facilities are enclosed together with the assessment tax bill;
- 3) If mobile collection units were provided;

- 4) The type of collection method employed;
- 5) The number of collection points provided by the Council;
- 6) The payment methods offered to taxpayer; and,
- 7) The payment facilities offered to the taxpayer.

5.2.3.1.2 Management of Taxpayer Accounts

The measuring instruments used in this study relating to the management of taxpayer accounts were developed based on strategies or instruments suggested by Shoup *et al.*, (1959), Oldman (1965), Surrey, 1975 and Post and Hochberg (1989). These strategies include:

- 1) Incentive for prompt payment;
- 2) Penalties or fines for late payment; and,
- 3) Actions taken against non-payment.

The Local Government Act 1976 also states the type of actions which can be used in dealing with non-compliance behaviour. The actions that could be taken by the Council in accordance with the Act are as follows:

- 1) Seal and seize the property (Section 148);
- 2) Sale of movable property (Section 149); and,
- 3) Court action (Section 156).

In order to carry out these actions, Section 148 of the LGA 1976 prescribed that:

...for the recovery of an arrear the local authority may issue a warrant of attachment in *E-Form* of the First Schedule hereto and may seize by virtue thereof any movable property, belonging to the owner which is found within the local authority area.

This indicates that the *E-Form* is potentially the most important document in exercising actions against non-compliance.

The questions were designed to determine whether the above strategies and legal provisions listed in the Act were practised or implemented by the councils. The questions address the following:

- 1) Whether the Council provides an incentive for early payment;
- 2) Whether the Council imposes penalties for late payment;
- 3) Whether the Council takes firm action against non-payment of assessment tax;
- 4) What type of actions are normally taken by the Council against non-payment; and,
- 5) The number of *E-Forms* or any related documents that have been issued by the Council for non-payment of assessment taxes.

5.2.3.1.3 The Use of Information Technology

The importance of information technology has been highlighted in the literature (Surrey, 1965; Smith, 1969; Kay and King, 1980; Morris, 1989; Gelinas *et al.*, 1990; Martin and Powell, 1992) as a means of improving the productivity and efficiency of the tax administration system. Therefore the questions were designed to identify the

level of usage of the information technology among the selected local authorities. The questions were intended to ascertain the following:

- 1) The number of computers used in the departments or sections related to the assessment tax functions or activities;
- 2) The number of staff handling computers - with computing background or no computing background; and,
- 3) The type of computerised systems, either integrated and on-line systems, or individual (not integrated) department or section basis.

Closed (or poll) questions were used for all parts of the questionnaire except those questions that needed further quantification, such as the number of computers, staff and *E-Forms* issued to taxpayers. The respondents were required to respond by 'Yes' (1) or 'No' (0) to the questions asked in the above parts.

5.2.3.2 The Assessment Tax Staff Questionnaire

The questionnaire that was designed to obtain data was necessary for investigating the related hypotheses, as outlined in chapter four. This questionnaire is divided into three parts. The first was designed to measure the respondents' organisational commitment. The second was designed to measure the respondents' perceptions towards the work design systems practised in this department. The final part of the questionnaire was designed to obtain the demographic characteristics of the respondents. A section of this questionnaire is presented in Appendix 5.3.

5.2.3.2.1 Organisational Commitment

Employees' organisational commitment will be measured by using the Organisational Commitment Questionnaire (OCQ) developed by Porter *et al.*, (1974), which demonstrated good psychometric properties and was used for a wide range of job categories (Mowday, Steers and Porter, 1979).

The questions, given in the order of their presentation in the questionnaire, are shown in Table 5.2.

Table 5.2: Organisational Commitment Items

Question No.		Variable No.
1	I am proud to tell others that I am part of this organisation	OC1
2	I tell my friends this is a good organisation to work for	OC2
3	I am extremely glad I chose this organisation to work for over others I was considering at time I joined	OC3
4	For me this is the worst organisation of all to work for	OC4
5	I am willing to put in a great deal of effort beyond that normally expected in order to ensure that this organisation is successful	OC5
6	This organisation really inspires the best in me in the way of job performance	OC6
7	I find that my values and the organisation's values are very similar	OC7
8	I don't really care about the fate of this organisation	OC8
9	I would accept almost any type of job assignment in order to keep working for this organisation	OC9
10	There is nothing much to be gained by sticking with this organisation	OC10
11	It would take a lot of changes in my present circumstances to cause me to leave this organisation	OC11
12	Deciding to work for this organisation was a mistake on my part	OC12
13	I always find it easy to agree with this organisation's policies on important matters relating to its staff	OC13

The response format contained five possible answers, on a continuum from (1) to (5).

These response labels were as follows:

1. Strongly Disagree
2. Disagree
3. Neutral or Undecided
4. Agree
5. Strongly Agree

5.2.3.2.2 High-commitment Work System

The criteria of High-commitment Work System (HCWS) introduced by Beer *et al.* (1984) and Wood *et al.* (1995) was used in measuring the work design systems of local authorities. Fourteen questions were designed based on these criteria to obtain the respondents' perceptions of the work systems practised by local authorities. These questions are given in the order of their presentation in the questionnaire and shown in Table 5.3.

Table 5.3: High-commitment Work System Items

Question No.		Variable No.
1	My job is broadly defined	HCWS 1
2	Job rotation always happens in my department	HCWS 2
3	The pay here is according to staff skill	HCWS 3
4	My fellow staff often evaluate my work	HCWS 4
5	Self-or-peer review is our practice in this department	HCWS 5
6	Staff cover vacancies in a flexible manner	HCWS 6
7	My department is concerned about learning and personal development	HCWS 7
8	Status differences in my department are minimised	HCWS 9
9	We work as a team in this department	HCWS8
10	Staff in my department are encouraged to give ideas in the decision making process	HCWS 10
11	There are regular training sessions	HCWS 11
12	Regular information to help with my job is provided	HCWS 12
13	We have weekly quality circle meetings	HCWS 13
14	The organisation keeps me fully informed of its policies	HCWS 14

The response format contained five possible responses on a continuum from (1) to (5). The responses were labelled as before.

The coding scheme used for the final part of the questionnaire, which consisted of questions relating to the demographic characteristics of the respondents is given in Table 5.4.

Table 5.4: Coding Scheme for Demographic Variables of Tax Staff

Variable	Categories and Codes
Gender	Female (1); Male (2)
Race	Chinese (1); Indian (2); Malay (3); Other (4)
Age	20-30 (1); 31-40 (2); 41-50 (3); Over 50 (4)
Marital Status	Single (1); Married (2); Divorced (3); Other (4)
Level of Education ^a	LCE/SRP (1); MCE/SPM (2); HSC/STPM (3); Diploma (4); Bachelor's Degree (5); Master's Degree (6); Ph.D. (7); Professional (8); Other (9)
Employment Status	Permanent (1); Temporary (2); Contract (3); Part-time (4)
Occupation	Managerial, Executive (1); Engineering, Technical (2); Administrative, Clerical (3); Other (4)
Length of Service	Less than 1 year (1); 1 - 2 (2); 3 - 5 (3); 6 - 10 (4); More than 10 years (5)
Department	Revenue Collection (1); Billing (2); Taxpayer Records/Accounts (3); Valuation (4); Enforcement (5)

Note:

a. Equivalent qualifications in the United Kingdom:

Lower Certificate of Education (LCE): GCSE

Malaysian Certificate of Education (MCE): GCE (O Level)

Malaysian Higher School Certificate (HSC): GCE (A Level)

5.2.3.3 **Assessment Taxpayer Questionnaire**

This questionnaire was designed to obtain the data necessary to answer or test the related hypotheses outlined in chapter three. This questionnaire was divided into seven parts.

The first part was designed to measure the respondents' satisfaction with the services provided by the local authority. The second was designed to measure the respondents' perceptions of the clarity of the assessment tax system. The third was designed to measure the respondents' perceived convenience of payment offered by the local authority.

The fourth part of the questionnaire was to measure the respondents' perceptions towards the quality of services provided by the local authority. The following part of the questionnaire was to measure the assessment taxpayers' ability to pay. The sixth part of the questionnaire was to measure the accessibility of the relevant information by respondents. The seventh was designed to obtain the respondents' costs in assessment tax compliance. The final part of the questionnaire was designed to obtain the demographic characteristics of the respondents. Details of the questionnaire for this part are presented in the Appendix 5.4.

5.2.3.3.1 **Equity**

The literature review has highlighted the importance of the equity or fairness variable in the tax structure. There are two issues associated with equity: benefit and ability to pay. As has been discussed earlier, the non-existence of these two issues potentially exposes the tax system to failure. Therefore, it seems clear that the fairness of the tax system to be implemented or operating will be influenced by taxpayers' ability to pay tax and benefits received.

5.2.3.3.1.1 **Ability to Pay**

There is no single index measuring ability to pay which is best under all circumstances (Musgrave and Musgrave, 1973). As with property tax, however, two criteria that can be used in assessing the ability of taxpayer to pay are: (1) income, and (2) the property value. The property value, according to Gibb (1992, p.307) 'does appear to have a relationship with gross income'. However, if income is used as a measure of a taxpayer's ability to pay, other factors, such as source of accretion and independent use of income, must be considered (Musgrave and Musgrave, 1973). Based on these arguments, three criteria are used in measuring taxpayer ability to pay in this study. These are:

- 1) monthly gross income;
- 2) type of house (property) owned by taxpayer; and,
- 3) number of dependents of taxpayer.

This is similar to HMSO (1965) and MORI (1986) who include house ownership and the number of dependents in their instruments.

The monthly gross income of taxpayer in this study is specified in the following range:

- | | |
|----------------------|-----------------------|
| 1. Less than RM600 | 5. RM3,001 - RM6,000 |
| 2. RM601 - RM1,000 | 6. RM6,001 - RM10,000 |
| 3. RM1,001 - RM2,000 | 7. RM10,000 and above |
| 4. RM2,001 - RM3,000 | |

The type of property (house) owned by taxpayers was classified into four categories.

These were:

- | | |
|------------------------|----------------------|
| 1. Low-cost housing | 3. High-cost housing |
| 2. Medium-cost housing | 4. Shop-housing |

Taxpayers were also requested to specify the number of their dependents.

5.2.3.3.1.2 Benefit Received

With regard to benefits received, satisfaction of the assessment taxpayer was assessed with regard to quality of the service provided. This is due to the fact that the Local Government Act 1976 outlined services that must be provided by each local authority. This states that services will be available to all local taxpayers before the assessment tax is levied on them by local authorities. Furthermore, people who are living outside the local authority area, and do not receive local authority services, are not charged the assessment tax. This clearly indicates that the assessment taxpayer does receive some

kind of council services. Therefore, this study assesses the extent of the assessment taxpayers satisfaction with services provided by local authorities.

Services listed as obligatory or statutory services (see Appendix 2.5) will be used in assessing local taxpayers satisfaction. These statutory services are classified into five groups:

- 1) Refuse Collection
- 2) Road Maintenance and Cleansing;
- 3) Drainage Systems
- 4) Sport and Recreational Facilities
- 5) Beautification and Maintenance of Public Parks

Two other statutory functions, however, are not included in the assessment taxpayer questionnaire. Firstly, maintaining cemeteries, abattoirs and public latrines. For this function, the local authority only provides the burial grounds and crematoria, and issues licenses to those authorities managing this service. Secondly, although the Local Government Act 1976 provides for public health, public safety and abatement of nuisance, in practice central government agencies, through ministerial departments, and state government control most of these functions (Phang *et al.*, 1988, Alias, 1994). In the three authorities examined by this study, these services were not provided by any of the local authorities.

The questions, given in the order of their presentation in the questionnaire, are shown in Table 5.5.

Table 5.5: Benefit Received Items

I am satisfied with the benefits received from the following services:	Variable No.
Refuse Collection	BR1
Road Maintenance and Cleansing	BR2
Drainage System	BR3
Sport and Recreational Facilities	BR4
Beautification & Maintenance of Public Parks	BR5

5.2.3.3.2 Clarity of the Assessment Tax System

The clarity or understandability of the tax system might be expected to influence the level of tax collection because greater clarity will reduce the risk of tax rejection (Meade Report, 1978). It is also argued that a taxpayer with knowledge of the tax system would comply better than others who do not possess such knowledge. Further, clarity may be increased by having a clear definition of the tax to be imposed, the amount of tax to be paid, a clear definition of tax base, and the purpose that the tax is intended to serve. Therefore, a set of questions was designed to incorporate these four attributes which have also been identified in previous works, such as the Meade, Adam Smith and Hajah Mustafa. The list of these items, given in the order of their presentation in the questionnaire, is shown in Table 5.6.

Table 5.6: Clarity of the Assessment Tax System Items

Question No.		Variable No.
1	I understand clearly what is and what is not taxable under the assessment tax system	CATS1
2	The amount of tax to be paid on each taxable property is clear	CATS2
3	I understand clearly the base used in computing assessment tax	CATS3
4	I understand clearly the purpose that the assessment tax is intended to serve by the Council.	CATS4

5.2.3.3.3 Convenience of Payment

It seems reasonable to assume that convenience of payment for tax should improve taxpayer compliance and this can then assure a steady flow of revenue. As indicated by Heady (1993) this principle is self-evidently desirable. From the taxpayer perspective, tax bills must contain adequate information and the bill must be received as early as possible in order to give an appropriate time period to settle the payment. Furthermore, a local authority may also provide such facilities as extra collection points and multiple methods of payment for taxpayers. These facilities or payment procedures have been discussed in the accounting information systems literature, and also in the Local Government Act 1976 referred to earlier in the chapter.

Therefore, a total of seven questions were designed to measure the perceptions of taxpayers about the convenience of the payment method offered by local authorities. The list of these items, given in the order of their presentation in the questionnaire, is shown in Table 5.7.

Table 5.7: Convenience of Payment Items

Question No.		Variable No.
1	The bill received contains adequate information	COP1
2	The bill is received at an appropriate time	COP2
3	There is adequate time to settle the payment	COP3
4	The collection point allocated by the council is convenient	COP4
5	The opening hours of the collection point allocated by the council are convenient	COP5
6	The methods of payment offered are convenient	COP6
7	The modes of payment offered are convenient	COP7

5.2.3.3.4 Quality of Service

Service quality, as perceived by consumers, stems from a comparison of what they feel service organisations should offer (i.e. from their expectations) and from their perceptions of the actual performance of the organisations providing the services (Parasuraman *et al.*, 1985). Perceived service quality is therefore viewed as the degree and direction of discrepancy between consumers' perceptions and expectations. The term 'expectations' as used in the service quality literature differs from the way that it is used in the consumer satisfaction literature. Specifically, in the satisfaction literature expectations are viewed as predictions made by consumers about what is likely to happen during an impending transaction or exchange. In contrast, in the service quality literature, expectations are viewed as the desires or wants of consumers, that is what they feel a service provider should offer rather than does offer.

The service quality model introduced by Parasuraman *et al.* (1985) consists of five dimensions, in particular: (1) Tangible; (2) Reliability; (3) Responsiveness; (4)

Assurance; and (5) Empathy. Thirteen questions were designed for the purpose of measuring the assessment taxpayer perceptions on the quality of services provided by local authorities. The list of items, given in the order of their presentation in the questionnaire, is shown in Table 5.8.

Table 5.8: Quality of Service Items

Question No.		Variable No.
1	We can rely on the services provided by the local authority	QOS1
2	I am very pleased with the appearance of local authority facilities	QOS2
3	Facilities are provided at a place which is convenient to the public	QOS3
4	Facilities provided by the local authority are clean and in good order	QOS4
5	The availability of the services and facilities are convenient to the public	QOS5
6	I am very happy with the local authority responses to my complaints	QOS6
7	Daily services provided by the local authority are according to what have been mentioned in the customer charter	QOS7
8	There is no difficulty in communication between local authority staff & the public	QOS8
9	Local authority staff appear knowledgeable and thorough in their work	QOS9
10	Local authority staff are very polite	QOS10
11	Local authority staff are very helpful	QOS11
12	The taxpayer can rely on the security and confidentiality of their affairs handled by the local authority's staff	QOS12
13	Information about the services and the benefits provided by local authority are well informed to the public	QOS13

5.2.3.3.5 Financial Information Reporting

The literature review highlighted the importance of the disclosure of relevant financial information to users. Apart from discharging local authority accountability to local taxpayers, financial information disclosure should also play a role in communicating periodic information about local authority performance to assessment taxpayers. As currently practised in Malaysian local authorities, this information is either very limited or not available at all to taxpayers (see Coombs and Tayib, 1997). This study,

therefore, will explore whether the availability or accessibility of such information would influence taxpayers' perceptions towards tax compliance.

As financial information is not freely available to assessment taxpayers, the questions designed here will seek to determine:

- 1) the taxpayer's opportunity to access a local authority's financial information;
- 2) whether they have an opportunity to read the financial reports, and which section they would like to read; and,
- 3) their willingness to pay tax after reading the financial reports.

In addition, taxpayers were also asked as to whether the annual financial accounts of their local authority should be made available or disclosed to the public. These procedures were also used by Collins *et al.* (1991) in their study to examine the usage, understanding and the nature of information provided in UK local authority annual reports and accounts.

5.2.3.3.6 Compliance Costs

The methods employed by Sandford, Godwin and Hardwick (1989) and Hajah Mustafa (1996) were used to determine the compliance costs of the taxpayers. This includes the costs of acquiring sufficient knowledge to meet legal requirements, of compiling the necessary receipts and other data and completing tax returns, payments to professional advisers for tax advice, and incidental costs: postage, telephone and travel in order to communicate with tax advisers or a tax office. Questions were designed to include all these attributes. These are as follows:

- 1) Do you keep any books or records for the purpose of paying assessment tax? They had to specify the total amount of time taken in a year if they kept books or records.
- 2) Do you need expert advice to settle your assessment tax? They had to specify the total amount per year paid to their adviser if they employed tax experts in settling their assessment tax.
- 3) Do you also incur other miscellaneous expenses in the process of paying assessment tax? The total amount per year paid must be specified if incurred.
- 4) How often do you visit your local authority office to settle your bill per year?

5.2.3.3.7 Scale of the Instrument

Likert scales were used for the first four parts of the questionnaire. In the first, second and third parts, a five-point Likert scale was used. Questions were designed to measure the respondents' perceptions about their satisfaction with the service provided, the clarity or understanding of the assessment tax system and the convenience of payment using five possible responses. There were scored on a continuum as follows:

1. Strongly Disagree
2. Disagree
3. Neutral or Undecided
4. Agree
5. Strongly Agree

In the fourth part a six Likert scale was used. Questions that were designed to obtain the respondents' perceptions towards the quality of service provided by the local authority contained six possible responses. The questions are scored on a continuum as follows:

0. Don't Know

1. Strongly Disagree
2. Disagree
3. Neutral or Undecided
4. Agree
5. Strongly Agree

Factual questions were used for the fifth, sixth and seventh parts of the questionnaire. The respondents were required to respond by 'Yes' (1) or 'No' (0) to the questions asked in the above parts. A coding scheme, Table 5.9, was used for the final part of the questionnaire.

Table 5.9: Coding Scheme for Demographic Variables of Taxpayers

Variable	Categories and Codes
Gender	Female (1); Male (2)
Race	Chinese (1); Indian (2); Malay (3); Other (4)
Age	20-30 (1); 31-40 (2); 41-50 (3); Over 50 (4)
Marital Status	Single (1); Married (2); Divorced (3); Other (4)
Level of Education ^a	LCE/SRP (1); MCE/SPM (2); HSC/STPM (3); Diploma (4); Bachelor's Degree (5); Master's Degree (6); Ph.D. (7); Professional (8); Other (9)
Employment	Government (1); Private Sector (2); Own Business (3); Not Working (4)
No. of Dependents	<i>Please specify</i>
Monthly Gross Income ^b	Less than RM600 (1); RM601-RM1,000 (2); RM1,001-RM2,000 (3); RM2,001-RM3,000 (4); RM3,001-RM6,000 (5); RM6,001-RM10,000 (6); RM10,000 - Above (7)
Occupation	Professional (1); Managerial, Executive (2); Engineering, Technical (3); Administrative, Clerical (4); Owner Manager (5); Other (6)
Type of House Owned	Low Cost-housing (1); Medium Cost-housing (2); High-cost Housing (3); Shop house (4)

Note:

- a. Equivalent qualifications in the United Kingdom:
 Lower Certificate of Education (LCE): GCSE
 Malaysian Certificate of Education (MCE): GCE (O Level)
 Malaysian Higher School Certificate (HSC): GCE (A Level)
- b. RM (Ringgit Malaysia) is the unit of Malaysian currency

5.3 Subject of the Study

The organisation of questionnaire, as discussed in section 5.2.3, clearly indicates that the subjects of this study were to consist of three groups of respondents. These groups are:

- 1) Local authorities;
- 2) Assessment tax staff; and,
- 3) Assessment taxpayers.

5.3.1 Local Authority

The sample for the study was derived from municipal councils located in Peninsular Malaysia. Local authorities with similar parameters were selected:

- 1) uniformity in legislation;
- 2) involvement in the 1976 local government restructuring; and,
- 3) similarities in administration and environment.

The Local Government Act 1976 did not apply to local government in East Malaysia, i.e. the State of Sabah and Sarawak. This is clearly stated in the Act:

...this Act may be cited as the Local Government Act, 1976, and shall apply only to West Malaysia (i.e. Peninsular Malaysia) (Section 1(1)).

Local government restructuring in Malaysia was carried out after the Local Government Act came into force in 1976.

Local government affairs and administration, following the recommendations of the 1957 Constitutional Commission, are on the state list of functions. Parliament may make laws with respect to local government, but according to Article 76(4) of the Malaysian Constitution 'for the purpose only of ensuring uniformity of law and policy'. This led to the establishment of the National Council for Local Government (NCLG) with the main task to formulate a national policy for the promotion, development and control of local government throughout the Federation and for the administration of any laws relating thereto, and the Federal and State Governments shall follow the policy so formulated (Article 95A of the Constitution). The local government in the State of Sabah and Sarawak have been required to consult the NCLG, but not necessary to follow the advice of the NCLG as compared to their counterparts in Peninsular Malaysia.

The Municipal Councils of Peninsular Malaysia can be further classified into three categories based on a computation of an arrears to assessment tax revenue ratio whereby total arrears are compared to budgeted annual assessment tax revenue for each municipal council (see Appendix 5.5). The range used in deciding the category of the municipal councils assessment tax collection performance (Table 5.10) in this study is thus very subjective because there are no specific guidelines available to determine the range of the cluster.

Table 5.10: Categories of Municipal Councils

Category	Arrears as a Percentage of Assessment Tax Revenue
High assessment tax collection performance	40% and below
Medium assessment tax collection performance	41% - 80%
Low assessment tax collection performance	81% and above

Table 5.11 shows a list of the groups of municipal councils in Peninsular Malaysia based on the above categorisation. For the purposes of this study only one of the municipal councils was selected as a representative from each category. The Municipal Council of Kuantan was selected as a representative of high collection performance. It is the only local authority in Malaysia to have received ISO 9000⁷⁴ and several other awards such as the Prime Minister's Quality Award⁷⁵, Local Authority Quality Award⁷⁶ and Public Service Director General Quality Award⁷⁷ (Other Awards and Achievement are presented in the Appendix 5.6). Therefore, it could be said that the Kuantan Municipal Council is one of the most outstanding local authorities as compared to other councils in its category, which have not received similar awards. On the other hand, the selection of Kuala Trengganu Municipal Council as a representative of low collection performance category is based on its arrear-assessment tax revenue ratio (224%) compared to other councils in its category having the worst collection performance of any local authority in Peninsular

⁷⁴ ISO (International Organisation for Standardisation) is a world wide federation of national standards bodies. ISO 9000 is the series number given to the ISO quality standards (See Nelson, C. (1996) for further detail of ISO 9000).

⁷⁵ This yearly award is open to all private and public sector agencies that achieved certain criteria, for example the quality of management, staff performance, and etc.

⁷⁶ This award is only awarded to those local authorities that satisfy the criteria established by the Ministry of Housing and Local Government. This means that the award is not annually awarded unless there is a qualified local authority for that particular year.

⁷⁷ This award is only for the public sector or government agencies.

Malaysia.

Table 5.11: Groups of Municipal Council in Peninsular Malaysia by Categories

Category	Municipal Council	Status
High Assessment Tax Collection Performance	Shah Alam Pulau Pinang Melaka Kelang Kuantan	Capital State of Selangor Capital State of Penang Capital State of Melaka Provincial town, State of Selangor Capital State of Pahang
Medium Assessment Tax Collection Performance	Seberang Prai Petaling Jaya Taiping Ampang Jaya Kota Setar	Provincial town, State of Penang Provincial town, State of Selangor Provincial town, State of Perak Provincial town, State of Selangor Capital State of Kedah
Low Assessment Tax Collection Performance	Seremban Sungai Petani Kangar Kota Bahru Kuala Trengganu	Capital State of Negeri Sembilan Provincial town, State of Kedah Capital State of Perlis Capital State of Kelantan Capital State of Trengganu

The municipal councils that represent high and low collection performance are the capital states of Pahang and Trengganu respectively. In order to keep a similar representative from each category, the Municipal Council of Kota Setar was selected as a representative of medium collection performance. It is the only council located in the state capital compared to other councils in its grouping. As a result of this selection, the selected municipal councils are representative of three different regions within Peninsular Malaysia (see Table 5.12).

Table 5.12: Summary of the Selected Municipal Councils

Category	Municipal Council	Status of Town	Location of the State	Other
High Assessment Tax Collection Performance	Kuantan	Capital State	Middle of Peninsular	Mostly Residential
Medium Assessment Tax Collection Performance	Kota Setar	Capital State	Western Peninsular Malaysia	Mostly Residential
Low Assessment Tax Collection Performance	Kuala Trengganu	Capital State	Eastern Peninsular Malaysia	Mostly Residential

These municipalities were chosen in order to obtain, as far as possible, a representative sample of high, medium and low assessment tax collection performance.

5.3.2 Assessment Tax Staff

The assessment tax staff were selected from the three municipal councils that were identified earlier based on the high, medium, and low performance of assessment tax collection. The procedures for identifying these staff who worked in the assessment tax functions were as follows:

- 1) Discussion with the Public Relation Officers - to find out which department of the council handled the assessment tax functions;
- 2) Discussion with the Head of Assessment Tax Section - to find out the number of staff involved in managing assessment tax and other related activities; and,

- 3) Meeting with all the related heads who carried out these functions.

From the above meetings, the researcher found that the assessment tax functions were conducted by different departments in the three selected municipal councils (see Table 5.13).

Table 5.13: The Department/Section handling Assessment Tax

	Kuantan Municipal Council	Kota Setar Municipal Council	Kuala Trengganu Municipal Council
Main Department that monitoring the assessment tax function	Valuation Department	Accounts and Finance Department (Assessment tax Unit)	Valuation Department
Other Related Department or Section	Collection Section (Accounts and Finance Department)	Valuation Department	Collection Section (Accounts and Finance Department)
Total Number of Staff Involved	38	61	41

Generally, the departments or sections involved in managing the assessment tax' activities can be divided into:

- 1) Billing;
- 2) Collection;
- 3) Taxpayer accounts management; and,
- 4) Valuation.

The number of questionnaires distributed to the staff of these departments and sections was based on the total number⁷⁸ of staff of each municipal council as shown in Table 5.13. All the staff in the assessment tax and other related departments were included in the survey. This means that a comprehensive survey was carried out involving one

⁷⁸ The number of staff employed in the year 1997 when the survey was carried out.

hundred per cent of the staff involved in all aspects of assessment tax collection. This was possible because the number of staff involved in assessment tax activities was small. The questionnaires were distributed to every department or section, as stated in Table 5.13, after full discussion and explanation of the purpose of the research conducted by the researcher with the respective Heads of Department or participating Sections. At that point the respective Heads of Departments or Sections distributed the questionnaires.

5.3.3 Assessment Taxpayer

The target population for this element of the study, upon which conclusions can be drawn, is Malaysian assessment taxpayers. While the sample selection was primarily based on collection performance a reasonable degree of geographic spread was achieved in the selection of municipal councils as evidence in Appendix 2.1. Financial constraint dictated that a sample be used rather than the total population of municipal councils. Taking into consideration the difficulties and resources limitations, the target population of assessment taxpayers in this study was identified in the three municipal councils, as discussed earlier, in the three states of Peninsular Malaysia. Only individual assessment taxpayers who had been paying tax for at least three years were chosen because they have knowledge and experience of the Council and the assessment tax systems (following Hajah Musfata's (1996) criteria in selecting the respondents).

5.3.3.1 Sampling Frame for Assessment Taxpayer

The sampling frame is usually a list of population members used to obtain a sample, i.e. in this case, assessment taxpayers in the three categories of municipal councils of the three states of the Peninsular Malaysia. Paying assessment tax in Malaysia is the responsibility of the owner of the immovable property that is located in the local authority area (Section 133 of LGA 1976). This means that the occupier of the property is not liable to pay assessment tax unless he/she owns the property. A list of assessment taxpayers is prepared by the Council and contains only the names of the owner of the property located in their locality. This situation posed a difficulty to the researcher in determining the sample of assessment taxpayers in the chosen municipal councils selected as not all occupiers were the owners of the property.

As a substitute, the researcher used a sampling frame based on Council administrative zones to determine the sample. This list was based on:

- 1) discussions with the Council Officers about their administrative zone; and,
- 2) the assessment rate imposed on the property within this zone.

From these two sources, three different zones⁷⁹ were identified. There were:

- 1) Town Centre;
- 2) Sub-town Centre; and,
- 3) Outside Town Centre.

⁷⁹ There are different percentages of assessment rates imposed on these zones. The level of services provided also varies between the zones.

These zones contained names of several residential estates or villages. This approach was chosen in order to obtain, as far as possible, a representative sample of the assessment taxpayers in each selected local authority. The list of the names of the residential estates and villages selected in this study is given in Appendix 5.7.

5.3.3.2 Sampling Design

There are two types of sampling design available in selecting the assessment taxpayer as the respondents in this study: non-probability sampling and probability sampling. In probability sampling, the probability of a sampling unit of the population that is to be included in the sample can be specified. Whereas, in non-probability sampling, there is no way of specifying the probability of each unit's inclusion in the sample, and there is no assurance that every unit has the same chance of being included (Frankfort-Nachmias and Nachmias, 1996).

There are three major designs utilising the non-probability samples often used by the social science researchers. These are:

- 1) Convenience samples;
- 2) Purposive samples; and,
- 3) Quota samples.

5.3.3.2.1 Convenience Sampling

The samples are obtained by researchers selecting whatever units of sampling are conveniently available to them, e.g., a researcher may take the first one hundred people encountered on the street who are willing to be interviewed. This sampling design provides no means for the researcher to estimate the representativeness of the sample, and therefore it is difficult to estimate the population parameters (Frankfort-Nachmias and Nachmias, 1996).

5.3.3.2.2 Purposive Sampling

Purposive sampling design is based on the researchers' subjective judgement in selecting a sample which they believe to be representative of the population. The probability that a sampling unit will be selected for inclusion in the sample thus depends on the subjective judgement of the researcher. Purposive sampling can lead to very good samples, but there is no guarantee that it will do so (Lynn, 1996).

5.3.3.2.3 Quota Sampling

This sampling technique is an extension of purposive sampling in which the researcher specifies a minimum number of sampling units from each sub-group to be included in the sample. Normally, quota sampling is based on demographic data such as geographic location, age, sex, education and income (Aaker *et al.*, 1995). By specifying the minimum number of cases from each group, the researcher knows that the sample represents the population with respect to these demographic variables.

Frankfort-Nachmias and Nachmias (1996), however, argued that representation in demographic characteristics does not guarantee that there is no bias in the results obtained from quota samples.

In contrast to non-probability sampling, probability sampling or random sampling allows the researcher to determine the probability of each sampling unit being included in the sample. The advantages of probability sampling are that it enables the avoidance of selection bias and that it permits the precision of estimators to be assessed, using only information that is collected from the selected sample (Lynn, 1996). Four common designs under the category of probability sampling are:

- 1) Simple random sampling;
- 2) Systematic sampling;
- 3) Stratified sampling; and,
- 4) Cluster sampling.

5.3.3.2.4 Simple Random Sampling

This is the design under which every possible combination of n (sample) units from the population of N (population) units are equally likely to be selected. Usually selection of sampling units for inclusion in the sample is carried out by using a table of random numbers ((Frankfort-Nachmias and Nachmias, 1996, Hussey and Hussey, 1997).

5.3.3.2.5 Systematic Sampling

This is another design that gives each unit an equal selection probability. The population units are listed and a sample is taken by selecting units at fixed intervals down the list (Lynn, 1996). When, for example, sampling 100 from a list of 2000 we can simply generate a random start between one and twenty and select that unit and every 20th thereafter until the end of the list is reached. Each unit has an equal chance of selection, but there may be a pattern in the data systematically occurring every 20th unit. This phenomenon will bias the sample (Frankfort-Nachmias and Nachmias, 1996).

5.3.3.2.6 Stratified Sampling

This sampling design is used by researchers to ensure that the sample reflects the structure of the population so as to increase the level of accuracy in estimating parameters (see Lynn, 1996 and Frankfort-Nachmias and Nachmias, 1996). Stratified sampling can overcome the problem of under or over-representation in some members of the population as each identified stratum of the population is taken into account (Hussey and Hussey, 1997). This improves the sampling efficiency by increasing the accuracy at a faster rate than costs increase (Aaker *et al.*, 1995).

5.3.3.2.7 Cluster Sampling

In cluster sampling design the population is divided into sub-groups called clusters. A random sample of clusters is then selected and sampling units in the selected clusters will be chosen for inclusion in the sample. There are two types of cluster sampling: (1) Single-stage cluster sampling and (2) multi-stage cluster sampling. In single-stage cluster sampling, all sampling units in the selected clusters are included in the sample. For multi-stage clusters sampling, after the clusters are randomly selected, the sampling units in the clusters are again subjected to random selection for inclusion in the sample (Frankfort-Nachmias and Nachmias, 1996; Hussey and Hussey, 1997).

5.3.3.3 The Sampling Choice: Cluster Sampling

Owing to the absence of a sampling frame (list of owner-occupiers) which could be used as a basis for the selection of sampling units for inclusion in the sample, this study was unable to employ the simple random sampling design. Meanwhile, systematic and stratified sampling designs require that the total number of sampling units must be known. Therefore, the only probability sampling design that could be used in this study was cluster sampling. Cluster sampling, according to Healey (1996), is the most significant method in dealing with the limitations imposed by the scarcity of lists.

Considering the administrative zones list containing the names of residential estates and villages prepared for the sampling frame described earlier, it was decided that a variation of cluster sampling be adopted for this study. The questionnaires were

personally distributed to every residential estate and village in the list, with a personal request for co-operation of the respective head of the residential estate and the chief of the village which was participating. A discussion was also held with the above heads and chiefs in order to give a clear picture of the purpose of the survey.

5.3.3.4 Sample Size

A sample is any sub-set of a population. A sub-set is any combination of sampling units that does not include the entire set of sampling units that have been defined as the population (Lynn, 1996; Hussey and Hussey, 1997). A sample therefore, by definition, may contain only one sampling unit, all but one sampling unit, or any number in between. The appropriate number of sampling units to be included in a sample is not always easy to answer, as there are numerous statistical and non-statistical approaches to the issue (Balian, 1982). Balian added that:

...the statistical processes for estimating sample sizes are not used frequently in doctoral dissertations or most other professional research (1982, p. 113).

Balian (1982) and Dixon *et al.*, (1987) emphasised that the number of sampling units in each group must be at or around thirty for comparison purposes and also to carry out relevant statistical tests. Basically, the sample size for each group or cluster in this study was thirty. According to Roscoe:

...samples of 30 for most behavioural research will be adequate to insure close approximation of the normal by the sampling distribution of the mean (1975, p.163).

Table 5.14: Sample Size Adjustment

Type of Instrument	Add
Group	10 %
In-Person	10 % - 20 %
Phone	25 %
Mail	60 % - 100 %

Source: Balian, E. S. (1982).

The final size of the sample, after taking into account Balian's (1982) (see Table 5.14) suggestion was thirty-six per cluster. Six residential estates or villages were randomly selected for each cluster with three clusters in each council. Then six questionnaires were personally distributed to the contact person in each residential estate or village identified. Accordingly, the size of the whole sample for assessment taxpayers in this study was three hundred and twenty four⁸⁰.

5.3.3.5 Sampling Units for Assessment Taxpayers

Lists containing the names of all owner-occupier assessment taxpayers from every residential estate or village in the sampling frame were not available. The process of selecting respondents was left to the contact person (head of residential estates and chief of the villages) in each particular zone who possessed knowledge about property owners. The contact persons were personally requested by the researcher to distribute the questionnaires at random to the owner-occupier of the house in their respective areas. Apart from a self-explanatory letter attached to the set of questionnaires, the researcher also personally explained the definition of assessment taxpayer as well as the content of the questionnaire to the contact persons. This was done in order to avoid

⁸⁰ 36 respondents multiplied by 9 clusters

the questionnaire being distributed to potentially the wrong respondents and to reduce the chance of misunderstanding the content of the questionnaire. The contact persons were given adequate time (seven days) to distribute and collect the questionnaires before a follow up visit by the researcher. The idea of using these contact persons was suggested by the Council Officer after the researcher failed to personally interview the respondents during the pilot study⁸¹ (see below). The Council Officer⁸² provided all the relevant names and addresses of the contact persons to the researcher and by meeting these individuals the researcher was able to ascertain that they were suitable parties to be involved in the selection process. .

5.4 Administration of Fieldwork

The fieldwork for data collection in this study was carried out from the second-week of June 1997 to the second-week of September 1997. During this three-month period the researcher travelled from his main base, i.e. Universiti Utara Malaysia (UUM), to the State of Trengganu, Pahang, and Kedah. The researcher also visited the Division of Local Government of the Ministry of Housing and Local Government to collect secondary data. The fieldwork in this study involved a number of phases. These are described in the following sections.

⁸¹ The interview failed due to lack of co-operation from respondents, nobody at home, and also unknown area to researcher.

⁸²Sometimes the Council Officer was also presented during the meeting with the contact person, especially those unapproachable by researcher.

5.4.1 Writing of the Questionnaire

The process of writing the questionnaire took about three months to complete. During the process of writing the questionnaire several references were referred to (such as Kerlinger 1973, Miller 1973, de Vaus 1991, Oppenheim 1992). The first version of the questionnaire was prepared in English. Many drafts had to be made after consulting the supervision team members and visits to UK local authorities. Input given by my supervisors, accounting and finance lecturers at the University of Glamorgan and colleagues were very helpful in the process of designing the questionnaire. The understanding and relevance of the questions in the questionnaire were further tested on thirty Cardiff council taxpayers who work at the University of Glamorgan. These were randomly selected to take part in a trial. The Council questionnaire and the Council staff questionnaire were administered to Cardiff City Council officers. During this exercise, they were asked to suggest means of improving the questionnaire in order to increase understanding.

5.4.2 Translation of Questionnaire

Before the data collection instrument could be used on taxpayers in Malaysia, it had to be translated to Bahasa Malaysia (the Malaysian language). For this purpose the questionnaire, which was prepared in English, was translated by the researcher into Bahasa Malaysia. The Bahasa Malaysia version was further checked by a university lecturer who is competent in both languages. The translated version was then given to another lecturer to be translated back into English. Corrections were made if the retranslated version indicated that the Bahasa Malaysia version did not really represent

the original English version. This was done to ensure that the Bahasa Malaysia version of the questionnaire was equivalent to the original English version. Finally, the research was designed in such a way that the questionnaire distributed to respondents contained both versions⁸³.

5.4.3 Pilot test

Although the questionnaire had been tested by the researcher on council taxpayers in the UK during the process of development, a further test was needed as the actual respondents of this study were Malaysian assessment taxpayers. Also, the Bahasa Malaysia questionnaire had not yet been tested. Therefore, a pilot test⁸⁴ was conducted using both versions, i.e. English and Bahasa Malaysia, of the questionnaire. Participants in the pilot test were also asked to suggest means of improving the questionnaire in order to increase understanding. The participants taking part in the pilot test are as shown in the Table 5.15.

Table 5.15: Respondents of Pilot Test

Respondents	Characteristics
Assessment Taxpayer	30 assessment taxpayers representing various Councils located in the Northern Peninsular Malaysia
The Council	Kangar Municipal Council and Kubang Pasu District Council
The Council's Assessment Tax Staff	10 from Kangar Municipal Council 10 from Kubang Pasu District Council

⁸³ This was done by putting the English version on the top and the underneath the Bahasa Malaysia version followed in a different font size. Sometimes the respondent needs both languages to better understand the situation and also to avoid a different version going to different respondent.

⁸⁴ The pilot test was carried out by the researcher in Malaysia during winter 1996/1997 for a period of three weeks.

The responses were then checked and analysed. Questions that were found to be ambiguous⁸⁵ were then reworded. The attention of the analysis thus became more focused on the reliability and the validity of the questionnaire. Reliability means freedom from random error. Thus, the most fundamental test of reliability is repeatability, that is the ability to get the same data values from several measurements made in the same way (Alreck and Settle, 1995). In statistical terms, the concept of reliability refers to the degree of accuracy of the estimate of the true score in a population of the object to be measured.

The reliability coefficient used in this study is Cronbach's alpha. Cronbach's alpha is a reliability coefficient that reflects how well the items in a set are positively correlated to one another (Uma Sekaran, 1992). Relative to other measures, such as the split-half,⁸⁶ Cronbach's coefficient alpha is by far the most popular and superior technique for estimating internal consistency. Internal consistency, also known as estimate of homogeneity, is a measure that assesses the degree to which the item used is internally consistent with other items comprising the scale. If the coefficient alpha is too low, either the scale has too few items measuring the same construct or there are too few items in the scale. Therefore, the term reliability coefficient used in this section refers to the inter-correlation of items within a scale using the coefficient alpha technique.

Based on Cronbach's alpha, the lowest reliability coefficient score obtained for the pilot questionnaire was 0.65. The actual study, however, shows that the lowest

⁸⁵ For example, 'I talk up this organisation to my friends as a good organisation to work for' and 'Please specify the total number of hours taken for record keeping'.

⁸⁶ Split-half reliabilities could be higher than Cronbach's alpha only in a circumstance when there are more than one underlying response dimensions tapped by the measure and certain other conditions are met.

reliability scores is 0.79. The various parts of the questionnaires had reliability coefficient scores as shown in Table 5.16.

Table 5.16: Reliability Coefficients

Questionnaire	Part	Score ⁸⁷	
		Pilot Test	Actual Study
Assessment	Benefit Received	0.87	0.84
Taxpayers	Clarity of the Assessment Tax System	0.91	0.87
	Convenience of Payment	0.77	0.84
	Quality of Services	0.65	0.86
Council's Tax	Organisational Commitment	0.81	0.79
Staff	High-commitment Work System	0.82	0.83

Generally, the above reliability coefficients indicate that there is a high level of consistency in the responses given by respondents.

As for validity, i.e. the ability of a measure to accurately measure what it is supposed to, several efforts have been taken into account during the process of developing the questionnaire. Most of the items used to develop measures of organisation commitment and work systems were taken from various sources in the literature. For the organisational commitment measure, the items were taken from the established instrument development by Porter *et al.* (1974), which have demonstrated good psychometric properties and were used with a wide range of job categories (Mowday, Steers and Porter, 1979). The High-commitment Work System items introduced by Beer *et al.* (1984) and Wood *et al.* (1995) were used as a base in developing the measure of the high-commitment work system practised by the council.

⁸⁷ The closer Cronbach's alpha is to one, the higher the internal consistency of reliability (Uma Sekaran, 1992).

Although there is no specific instrument introduced by previous researchers for measuring local (taxation) taxpayer compliance, the instruments developed in this study were based on income tax taxpayer compliance measures. Most of the items used to develop measures of (local) taxpayer compliance were taken from various literature sources and tested on academics, the UK Council Tax taxpayers and post-graduate students. Apart from that various discussions were held with colleagues, especially during the three weeks spent on the pilot test exercise at Universiti Utara Malaysia, pertaining to the design of the instrument and method adopted. Their suggestions were incorporated into the final version of the questionnaire. This procedure provided valuable input in support of the content validity of the measures. Besides the instrument's development, the assessment taxpayers selected as respondents for this study are only those who have been taxpayers for at least three years. This enhances the external validity of the study.

5.4.4 Actual Study

The full survey was conducted during June to September 1997. The distribution of the questionnaires to the respective respondents is shown in Table 5.17.

Table 5.17: The Distribution of the Questionnaires

Assessment Taxpayer	Personally distributed to the contact persons in each selected residential estates and villages
Council	Personally (structured) interviewed various head of departments and sections related to assessment tax activities
Council's Assessment Tax Staff	Personally distributed to various head of departments and sections related to assessment tax activities

Included with the sets of questionnaires were: an introduction letter to the researcher from the supervisors and a covering letter explaining the purpose of the research addressed to whom it may concern. The researcher also brought a letter explaining about the researcher and the purpose of the research carried out to the heads of departments and sections of the selected councils. The most important things that the researcher had to ensure was that the relevant council's officers were available at the time of interviews. Therefore, appointments were made at least one week in advance. The questionnaires were personally distributed and personally collected from various contact persons as discussed earlier. To encourage co-operation from the various contact persons, a small token was given to them.

Although the above procedures were time consuming and also costly, the response rate was high at ninety-four per cent.

5.5 Data Analysis

For the purpose of data analysis, standard statistical techniques were used. Data obtained from the survey was analysed using SPSS for Windows, version 6 and 7.5 plus. Microsoft Excel was used to carry out the trend analysis.

Efficient and productivity ratios developed by Ishi (1993) and Hajah Mustafa (1996) were used in measuring the efficiency and productivity of the assessment tax administration system in the three municipal councils studied. With regard to the tax collection system and the use of information technology, comparative analysis was used in identifying the differences between the three municipal councils in this study.

The statistical analyses techniques used in this study are outlined below.

5.5.1 Exploratory Data Analysis

The term exploratory data analysis is used in this study instead of descriptive statistics implies concern with describing data, summarising and presenting data in tables, charts, graphs and other diagrammatic forms, which enables patterns or relationships to be discerned which are not apparent in the raw data (Hussey and Hussey, 1997) and subsequent detailed qualitative analysis of the issues identified. These include analysis of the results disclosed by the tables of: (1) frequency distribution; (2) measuring location (i.e. Mean scores of variables); and (3) measuring dispersion (i.e. standard deviations).

With respect to statistical procedures, two statistical procedures were used in this study. The first procedure, Kendall's W, was used to assess the degree of concordance between the rankings of the Organisational Commitment Items, High-commitment Work System Items, the Benefit Received Items; Clarity of the Assessment Tax System Items, Convenience of Payment Items and Quality of Service Items assigned by the three groups of taxpayer in the sample. The second procedure used for the analysis was the paired t-test. This was used for investigating significant differences between the mean scores of the above items within a group.

5.5.2 Analysis of Differences between Means

In this study, three different groups of assessment taxpayers were selected. They represent three municipal councils with different levels of assessment tax collection performance - high, medium and low. Investigating differences between these groups is an Analysis of Variance (ANOVA) problem.

Analysis of variance techniques are designed to test differences between the means of several groups of scores and based upon the analysis factors known or unknown, which account for the variability of the scores. This variability is divided into two components:

- 1) variability of the observations within a group about the group mean; and,
- 2) variability of the group means themselves.

Differences between the means of groups of scores are tested by calculating the statistic F that compares the variability between group measures (means) with the variability between individual scores with the group.

An F value, if significant, implies that a relationship exists between two variables (Cohen and Holliday, 1996), and that one can accept the hypothesis that the means between the groups tested are different. In other words, the null hypothesis will have to be rejected. The F value, however, in an ANOVA can't tell us whether there exists a statistically significant difference between the means of the groups. In order to identify which of the group means are statistically different another test, known as the multiple comparison tests, was used.

A number of methods have been devised for testing the significance of multiple comparisons, such as the Duncan, the Student-Newman-Keuls, the Turkey, the Least Significant Difference (LSD) and the Scheffe methods. The Scheffe method has the advantage of simplicity, applicability to groups of unequal sizes, and suitability of pair wise and multiple groups' comparisons (Neter, Kutner, Nachtsheim and Wasserman, 1996). In view of the presence of groups with unequal size, this study adopted the Scheffe method of multiple comparison.

5.6 Assumption and Limitations of the Study

5.6.1 Assumptions

The following assumptions should be used to guide the interpretations of results obtained in this study.

- 1) The samples of the three Councils selected were assumed to be representative of the three categories of high, medium and low performance of assessment tax collection. It was also assumed that the samples of assessment taxpayers selected in the study were adequate in identifying the perceptions of Malaysian assessment taxpayers with regard to the assessment tax system.
- 2) It was also assumed that the items included in the questionnaire were adequate in assessing the efficiency and effectiveness of the assessment tax administrative system and assessment taxpayer compliance behaviour.

- 3) The instrument used in this study was assumed to be an effective measurement tool for collecting the data needed.
- 4) The responses of the respondents were assumed, as taxpayers and employees respectively, to be expressing their true and candid perceptions of their assessment tax system and opinions of the tax administrative system, organisational commitment and work systems practised in their departments or sections.

5.6.2 **Limitations**

This research was concentrated on three out of the fifteen municipal councils in Peninsular Malaysia with one council representing each category of collection performance. Their practices might not truly represent the other municipal councils that are not covered in this study. With respect to taxpayer compliance attitudes, this study only surveyed assessment taxpayer perceptions from the three selected municipal councils, and therefore their perceptions might not truly represent other municipalities' assessment taxpayers. The perceptions of the council staff towards organisational commitment and work systems are only limited to those who are working in the selected department. Therefore, their perceptions might not represent staff of other departments and sections in the Councils.

Financial and logistical constraints were the primary motivator in using a sample procedure. The study was limited to municipalities located in Kuantan in the State of Pahang, Kuala Trengganu in the State of Trengganu and Kota Setar in the State of Kedah.

5.7 Summary

This chapter presented a description and justification of the research design and methodology used for this research. The research utilises a descriptive research design in data collection and analysis. The purpose is to describe the characteristics of the population with regard to assessment tax administrative systems and taxpayer compliance.

With respect to the efficiency of tax administrative systems, the longitudinal study covered a time span of at least five years. This was to enable the researcher to analyse the trend of the efficiency and productivity of the departments or section related with assessment tax functions. In investigating the behaviour of taxpayer compliance, the field survey method was used, as it was considered the most suitable method for this study. This approach enabled the researcher to collect information from many respondents within a relatively short period of time.

The chapter also discussed the selection of the sample chosen for this study and various method of sampling designed were highlighted. Findings of the pilot test based on the instrument used in the study are discussed.

The primary limitation of the research methodology, the use of a substitute sampling frame, was addressed.

The next chapter presents the results of data analysis on the efficiency of the tax administrative system.

Chapter 6

RESULTS I: ASSESSMENT TAX ADMINISTRATION SYSTEM

6.0 Introduction

This chapter presents the results of the analysis of data gathered pertaining to the efficiency and effectiveness of the assessment tax administration system. The chapter is divided into three parts. The first part presents the analysis of efficiency and productivity of the tax administration system. The first two hypotheses tested are whether the assessment tax administration of high collection municipal councils (i.e. Kuantan Municipal Council (KMC)) is efficient and productive when compared to medium and low collection performance municipal councils (Kota Setar Municipal Council (KSMC) and Kuala Trengganu Municipal Council (KTMC) respectively). The results indicated that Kuantan Municipal Council's tax administrative system is more efficient and productive compared to Kota Setar and Kuala Trengganu.

The second part of this chapter presents the results of a comparative analysis of the tax collection systems practised by the above three municipalities. Three more hypotheses related to tax collection system, i.e. billing and collection, managing taxpayer accounts and the use of information technology, are tested. Results of the comparative analysis indicate that no difference between the three municipal councils is observed in billing

and collection methods. Based on trend analysis, however, the Municipal Council of Kuantan appeared to be more aggressive in combating their delinquent taxpayers when compared to Kota Setar and Kuala Trengganu. The results also indicated that the level of computer usage in the tax administration system of the Kuantan Municipal Council is higher than those of Kota Setar and Kuala Trengganu.

Finally, the third part reports the results of the analysis of the last two hypotheses - perceptions of the staff working in the assessment tax departments and other related sections of the above three municipalities about organisational commitment, and the presence of the high-commitment work system environment in their departments or sections. One-way ANOVA procedures were used to test the above two hypotheses. Results of the ANOVA procedures suggest the existence of significant differences in the perceptions of tax staff toward organisational commitment and high-commitment work system between groups of tax staff in the sample.

6.1 Efficiency and Productivity of the Assessment Tax Administration

This section is divided into two parts. The first part presents an analysis of the efficiency of the assessment tax administration followed by testing of hypothesis one.

The second part provides a discussion on the level of productivity of the three municipal councils that are selected for this study. This is followed by the findings of testing the second hypothesis.

6.1.1 Efficiency of the Assessment Tax Administration

Hypothesis One

H₀₁ The efficiency of the tax administrative system does not differ between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.

The efficiency of the tax administration system could simply refer to the total amount of tax collected. Low uncollected tax revenues of the collecting councils can be used as a good indicator of the efficiency of their tax administrative system. Figure 6.1 and 6.2 below show the assessment tax collection situation of the three selected municipalities in this study. The Kuantan Municipal Council (KMC), Kota Setar Municipal Council (KSMC) and Kuala Trengganu Municipal Council (KTMC) are respectively representative of the high, medium and low assessment tax collection performance of municipal councils in Malaysia.

If the above criteria is considered as a basis for analysing the council's collection performance, it can be concluded that the KMC's tax administration system is more efficient compared to KSMC and KTMC. The percentage of the assessment tax arrears of the KMC is on a downward trend, whereas the percentage of collection is steadily growing. In comparison, the KSMC performance is more efficient than KTMC.

Figure 6.1: Percentage Of Assessment Tax Arrears (1988-1996)

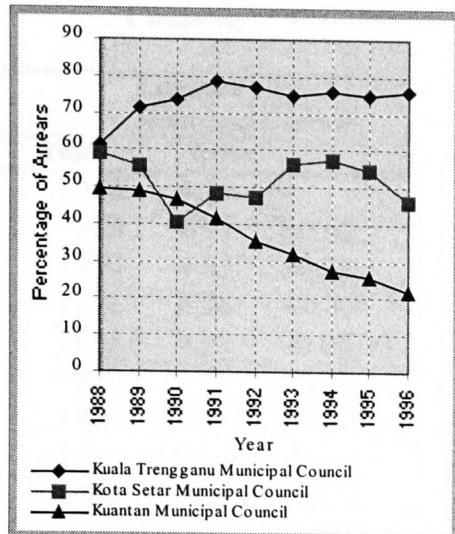
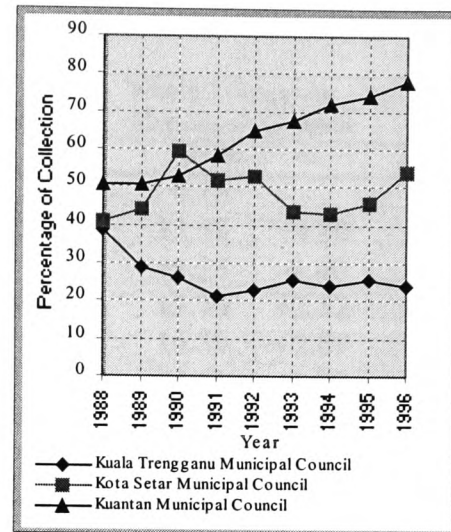


Figure 6.2: Percentage Of Assessment Tax Collection (1988-1996)



In measuring the efficiency of the tax administrative system, this study, as discussed in chapters 4 and 5, adopted Ishi's (1993) approach by computing a cost-revenue ratio whereby total administration costs are compared to total assessment tax revenue. Table 6.1 overleaf shows a comparison of collection costs as a percentage of the total assessment tax revenue between the KMC, KSMC and KTMC for the years 1988 to 1996.

Table 6.1 shows an analysis of the collection cost revenue ratios. It presents the collection cost-revenue ratios calculated, based on total collection costs divided by the total amount of assessment tax over a period of nine years.

Table 6.1: Comparison of Cost of Collection as a Percentage of Assessment Tax Revenue between Kuantan, Kota Setar and Kuala Trengganu Municipal Councils (1988-1996)

Kuantan Municipal Council			Kota Setar Municipal Council		Kuala Trengganu Municipal Council	
Year	Ratio	+/-	Ratio	+/-	Ratio	+/-
1988	4.29		5.54		8.18	
1989	4.91	+0.62	5.56	+0.02	12.58	+4.40
1990	4.65	-0.26	4.81	-0.75	11.18	-1.40
1991	4.98	+0.33	5.55	+0.74	13.70	+2.52
1992	4.92	-0.06	5.40	-0.15	16.39	+2.69
1993	4.65	-0.27	6.13	+0.73	14.61	-1.78
1994	4.28	-0.37	6.04	-0.09	17.23	+2.62
1995	4.11	-0.17	5.96	-0.08	16.30	-0.93
1996	4.02	-0.09	5.79	-0.17	19.33	+3.03
<i>Average</i>	<i>4.53</i>	<i>-0.60</i>	<i>5.60</i>	<i>+0.25</i>	<i>14.38</i>	<i>+1.39</i>

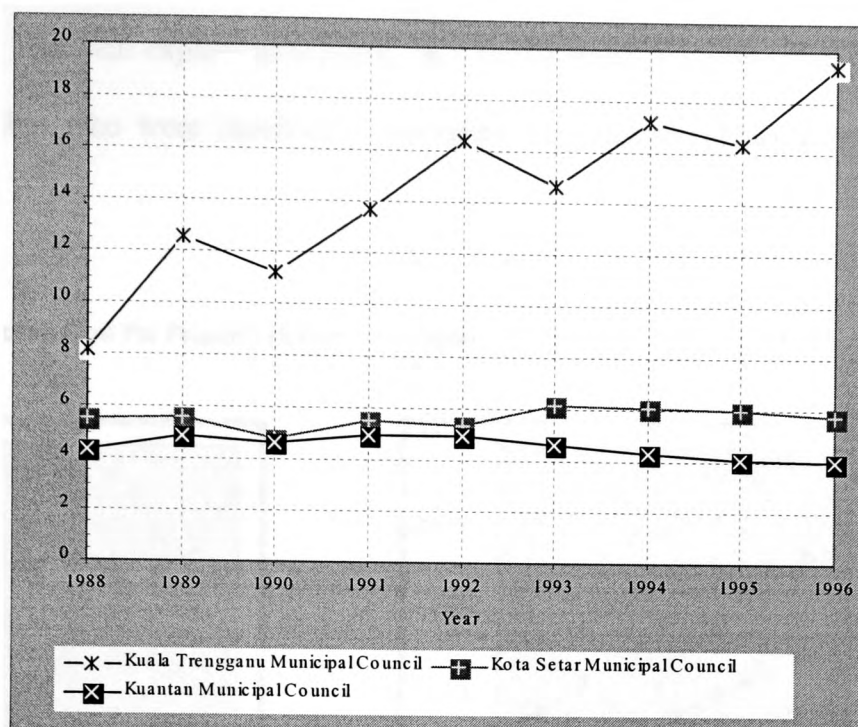
Source: Data compiled from various records and accounts kept by the Municipal Councils under study for the years 1988-1996

Note: +/- - Represents either increase or decrease in the collection cost ratio

The above ratios, as a whole, indicate that the collection of assessment tax in the municipalities under study is very costly. On average, the cost of assessment tax collection ratios for KMC, KSMC and KTMC are respectively 4.53%, 5.60% and 14.38% in the nine years period of study. The KTMC's cost of collection ratio is the highest among the three councils.

In addition to the above analysis, Figure 6.3 provides the trend analysis of the assessment tax administration cost against total assessment tax revenue collected over a nine year (1988-1996) period for the Kuantan Municipal Council, Kota Setar Municipal Council and Kuala Trengganu Municipal Council.

Figure 6.3: Comparative Efficient Ratio based on the Total Assessment Tax Revenue Collected (1988-1996)



The analysis revealed that the KMC's collection cost ratio is lower than KSMC and remarkably lower than the costs of KTMC. Although the KMC's collection cost ratio went up in the early period of study and reached a level 4.98% in 1991, it gradually went down towards the end of the years covered. Among the three councils studied, the variation of the KMC's collection cost ratio is the lowest compared to KSMC and KTMC. On the other hand, the trend of collection costs in the KTMC contrasts greatly with its counterparts, the KSMC and KMC. This is not surprising though, since the KTMC recorded the highest uncollected assessment tax revenue and an increase in the collection costs throughout the period of study may explain the factors for the highest cost of assessment tax revenue ratio.

The distribution of collection costs could also be calculated based on the number of property holders against the number of staff involved in administrating the assessment tax functions. This will explain how much the council spent per property holder and per staff number who were involved in operating the assessment tax functions or activities.

Figure 6.4: Collection Cost Per Property Holder

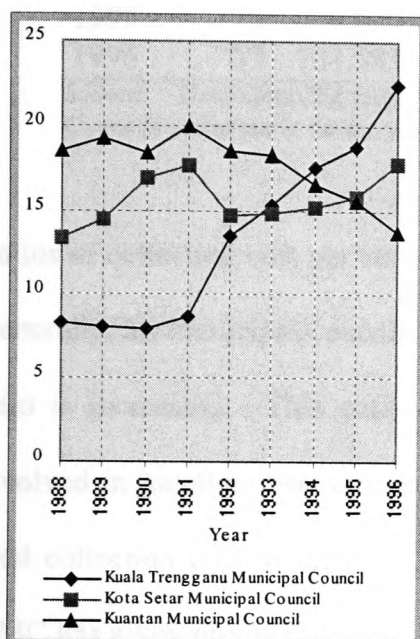
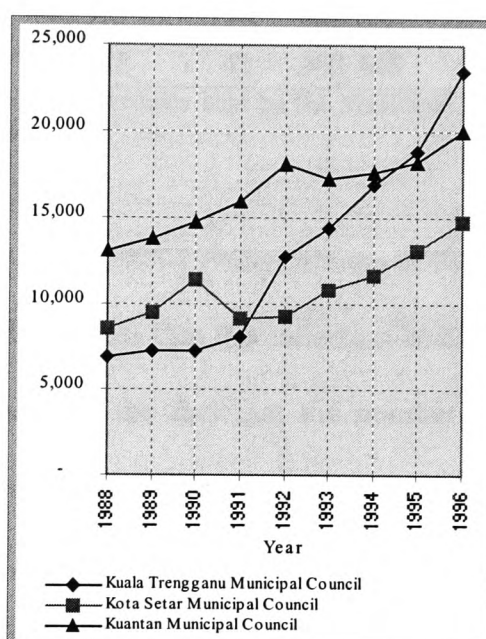


Figure 6.5: Collection Cost Per Staff



The ratio of the collection cost per property holder for the years 1988-1996 is shown in Figure 6.4. As a comparison, the KMC's ratio is in a better position when compared to KSMC and KTM. Although the KMC's ratio is higher for the first four years, it declined gradually for the rest of the nine year period. The KTM shows a relatively low ratio per property holder in the early period of study (1988-1990) but increased sharply after 1991 when compared to Kota Setar and Kuantan.

Table 6.2: Assessment Tax Staff and Collection Cost of the Kuantan, Kota Setar and Kuala Trengganu Municipal Councils (1988-1996)

Year	Kuantan Municipal Council		Kota Setar Municipal Council		Kuala Trengganu Municipal Council	
	Staff	C/Cost (RM)	Staff	C/Cost (RM)	Staff	C/Cost (RM)
1988	36	470,359	52	448,561	43	298,918
1989	36	498,393	52	492,795	43	309,986
1990	35	515,432	51	583,764	43	311,772
1991	39	624,431	67	612,190	43	346,477
1992	36	650,338	64	594,261	43	548,520
1993	39	674,727	57	620,283	43	620,854
1994	39	686,810	60	698,779	43	728,745
1995	39	709,019	60	783,396	42	790,990
1996	39	781,583	61	902,302	41	962,448

Source: Data compiled from various records and accounts kept by the Municipal Councils under study for the years 1988-1996

Ratios of collection cost per tax staff for the years 1988-1996 are shown in Figure 6.5.

Generally, all municipal councils under study indicate that the collection cost-tax staff ratio is increasing. This could be explained by the fact that the number of staff involved in handling assessment tax functions or activities is small compared to the total collection cost incurred by the Council (see Table 6.2). As a comparison, the KMC has a low number of assessment tax staff and relatively higher cost for the years 1988-1996 when compared to KSMC and KTMC. The KSMC has the highest number of assessment tax staff when compared to the other two councils and at the same time a low collection cost. Therefore, the graph shown in the Figure 6.5 indicates that the KSMC has the lowest collection cost-staff ratio compared to KMC and KTMC.

Summary

Figure 6.1 to 6.5 show various ratio analyses on the efficiency of the three municipal councils' tax administrative system. Figure 6.1 and 6.2 compared the percentage of assessment tax collection and the percentage of uncollected (arrears) assessment tax revenues of the KMC against KSMC and KTMC for the years 1988-1996. The KMC has rapidly increased its collection rate from 51% (1988) to 78% (1996) and at the same time it gradually reduced uncollected assessment tax revenue from 49% (1988) to 22% (1996).

Figure 6.3 compares the efficiency ratios of the KMC against KSMC and KTMC for the years 1988-1996. The cost-revenue ratio for the KMC has been gradually falling for the years 1991 to 1996. Furthermore, the cost-revenue ratio for the KSMC also declined gradually towards the end (1994 onward) of nine year period under study. It was a different scenario for KTMC where the ratio, on average, has been rising for the whole period covered.

A trend analysis of collection cost against property holder and tax staff between the three municipal councils is presented in Figure 6.4 and 6.5 respectively. The KMC's collection cost per property holder was decreasing compared to KSMC and KTMC while the Kota Setar and Kuala Trengganu municipal councils were challenged by the rise of the handling costs per property holder. With respect to cost per tax staff, these councils show that their cost to tax staff ratios are higher. The Kuantan Municipal Council has the highest cost to tax staff ratio compared to Kuala Trengganu and Kota Setar municipal councils.

Overall, Kuantan Municipal Council's tax administrative system is more efficient compared to Kota Setar and Kuala Trengganu municipal councils. Furthermore, Kota Setar Municipal Council's tax administrative system is likely to be more efficient than Kuala Trengganu. Further analyses were undertaken to determine the degree of efficiency for KMC's tax administrative system. This is shown in Figure 6.4 and 6.5. Nevertheless, as indicated in Table 6.2, the administration or collection costs of the three municipal councils are on the rise, and the only reason why the ratio has been falling is due to the increase in tax collections (see Figure 6.1 and 6.2).

Results of the trend analysis above, especially in Figure 6.3, rejected Hypothesis One: *The efficiency of the tax administrative system does not differ between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.*

Therefore, it can be said that the assessment tax administration system in KMC was found to be fairly efficient compared to KSMC and KTMC respectively. This finding makes it possible to proceed further in the research. As high, medium and low costs of collection tax administration are identified, the next step is to investigate and identify causes of success and failure in these municipal councils as far as local assessment tax collection is concerned.

6.1.2 Productivity of the Assessment Tax Administration

Hypothesis Two

H₀₂ The productivity of the tax administrative systems does not differ between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu. .

One way to measure the productivity of assessment tax staff is to compare the number of tax staff with the number of property holders in the municipal council's jurisdiction. Barr *et al.* (1977), Ishi (1993) and Hajah Mustafa (1996) employed a similar method in measuring the productivity of the Inland Revenue Department (IRD) of the United Kingdom, Japan and Malaysia, respectively.

Figure 6.6: Tax Staff And Property Holder Ratio

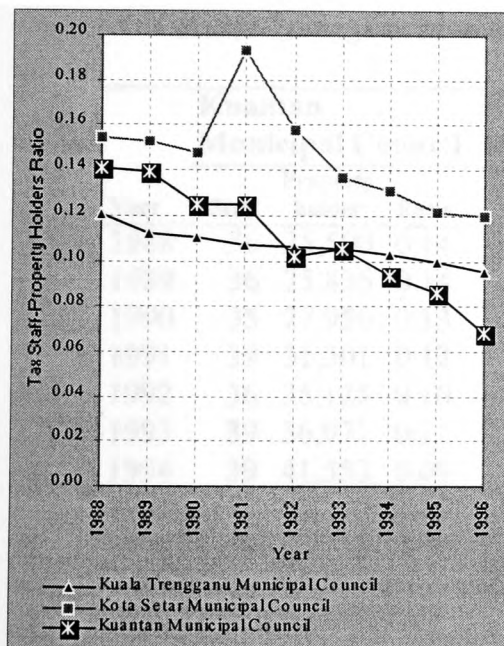


Figure 6.7: The Number Of Property Holders Per Tax Staff

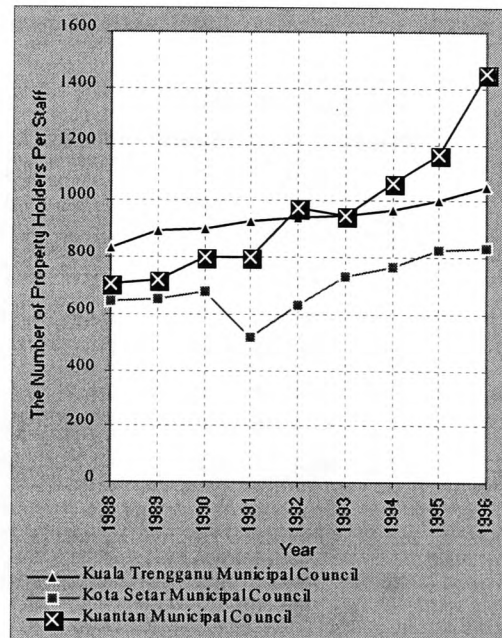


Figure 6.6 illustrates the comparative productivity ratios for the years 1988-1996. In addition to this, Figure 6.7 also provides similar comparative analysis by calculating

property holder-staff ratio. Both figures (6.6 and 6.7) indicate that the productivity of the Kuantan's tax administrative staff is relatively higher than that of Kuala Trengganu and Kota Setar municipal councils. Kuala Trengganu's ratio, on the other hand, is below that of Kota Setar and, more interestingly, the ratio had been relatively stable compared to Kuantan and Kota Setar over the years-studied (see Table 6.3).

In 1991, Kota Setar established a special task force unit to speed up the collection of assessment tax (including arrears). This is one of the reasons that can explain why Kota Setar's staff-property holder ratio is higher in 1991. The number of staff has sharply increased from 51 to 67 (see Table 6.3) and the increase in property holders is very marginal.

Table 6.3: Number of Tax Staff and Property Holders of the Kuantan, Kota Setar and Kuala Trengganu Municipal Councils (1988-1996)

Year	Kuantan Municipal Council			Kota Setar Municipal Council			Kuala Trengganu Municipal Council		
	Staff	Property holder	Ratio	Staff	Property holder	Ratio	Staff	Property holder	Ratio
1988	36	25,500	0.14	52	33,596	0.15	43	35,745	0.12
1989	36	25,836	0.14	52	34,028	0.15	43	38,342	0.11
1990	35	27,950	0.13	51	34,572	0.15	43	38,868	0.11
1991	39	31,301	0.12	67	34,657	0.19	43	40,033	0.11
1992	36	35,125	0.10	64	40,502	0.16	43	40,572	0.11
1993	39	36,971	0.11	57	41,809	0.14	43	40,618	0.11
1994	39	41,553	0.09	60	45,862	0.13	43	41,686	0.10
1995	39	45,390	0.09	60	49,433	0.12	42	42,168	0.10
1996	39	56,732	0.07	61	50,768	0.12	41	42,880	0.10

Source: Data compiled from various records kept by the Municipal Councils under study for the years 1988-1996

Summary

Results of the trend analysis shown in Figure 6.7 indicate that the Kuantan Municipal Council's tax administrative system is more productive when compared to Kuala Trengganu and Kota Setar municipal councils. The Kota Setar's tax administrative system, on the other hand, is less productive when compared to Kuala Trengganu. Therefore, the results from the analysis rejected the second null hypothesis: the productivity of the tax administrative systems does not differ between the municipal councils of Kuantan, Kota Setar and Kuala Trengganu.

6.2 Assessment Tax Collection System

This section presents the results of analysis of the tax collection systems practised by the municipal councils identified with ‘High’, ‘Medium’ and ‘Low’ assessment tax collection. Three more hypotheses relating to the tax collection system, i.e. billing and collection, managing taxpayer accounts and the use of information technology, are tested.

6.2.1 Billing and Collection of the Assessment Tax

Hypothesis 3

H₀₃ Billing and collection of assessment tax does not differ between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.

Table 6.4 presents the current practices of assessment tax billing systems for the three municipal councils in this study. From the table, it can be seen that current practices of the assessment tax billing systems among the three municipal councils are relatively similar.

Table 6.4: Billing of Assessment Tax Practised by the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu

Type of billing system	KMC Pre-billing	KSMC Pre-billing	KTMC Pre-billing
Method of Billing	Computerised	Computerised	Computerised
Information included in the assessment tax bill	<ol style="list-style-type: none"> 1. Type of charge due 2. Amount due 3. Arrears 4. Date to be paid 5. Where to be paid 6. Percentage of fine for late payment 7. Explanation about Assessment tax 8. Type of actions may be imposed if not paid. 9. Opening time of the collection points. 	<ol style="list-style-type: none"> 1. Type of charge due 2. Amount due 3. Arrears 4. Date to be paid 5. Where to be paid 6. Percentage of fine for late payment 7. Explanation about Assessment tax 8. Type of actions may be imposed if not paid. 9. Opening time of the collection points 	<ol style="list-style-type: none"> 1. Type of charge due 2. Amount due 3. Arrears 4. Date to be paid 5. Where to be paid 6. Percentage of fine for late payment 7. Explanation about Assessment tax 8. Type of actions may be imposed if not paid.
Sending Assessment tax bills to taxpayers	1 st week of January and July	1 st week of January and July	1 st week of January and July
Method of delivery assessment tax bills to taxpayers	post and personal delivery	personal delivery	post

As can be seen from Table 6.4, all the information included in the bills is clearly stated in the Local Government Act 1976 (see Chapter 5). The Act also states that the assessment tax 'shall be payable half-yearly in advance by the owner of the holding at the office of the local authority or other prescribed place in the months of January and July' (Section 133). In other words, the pre-billing system approach was used in the assessment tax billing system. This also indicated that the present practice of the three municipal councils in issuing tax bills to taxpayers in the first week of January and July (see Table 6.4) is consistent with the above provision.

Table 6.5: Revenue Collection of Assessment Tax Practised by the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu

	KMC	KSMC	KTMC
Assessment tax are levied after taxpayer have been fully informed	Yes	Yes	Yes
Information regarding payment facilities are enclosed together with assessment tax bill	No	No	No
Mobile collection unit provided	No	No	No
Collection Method	Decentralised	Decentralised	Decentralised
The Number of Collection Points	3	3	3
Facilities payment offered to taxpayer	<ul style="list-style-type: none"> • By Post • Centralised payment 	<ul style="list-style-type: none"> • By Post • Centralised payment 	<ul style="list-style-type: none"> • By Post • Centralised payment
Method of Payment	<ul style="list-style-type: none"> • Cheque • Cash • Credit Card • Direct Debit • Pay-deduction 	<ul style="list-style-type: none"> • Cheque • Cash 	<ul style="list-style-type: none"> • Cheque • Cash

Table 6.5 presents the current practice of assessment tax revenue collection between the councils in this study. This study reveals that there is no significant difference in practice between the Kuantan, Kota Setar and Kuala Trengganu municipal councils. The Kuantan Municipal Council, however, provides more alternatives to taxpayers in settling their tax payment, such as credit cards, direct debit and pay deduction. The pay deduction scheme facility, however, is available to KMC' s staff only.

Summary

The above comparative analysis (Table 6.4 and 6.5) between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu shows that there is no significant difference in terms of billing and collection of assessment tax revenue. These comparative analyses provides support for Hypothesis Three: billing and collection of assessment tax does not differ between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.

6.2.2 Management of Taxpayer Accounts

Hypothesis Four

H₀₄ The way local taxpayer accounts are managed does not differ between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.

Table 6.6 indicates that all the three municipal councils in this study do not provide incentives for early settlement of assessment tax by taxpayers. On the other hand, they impose penalties for late settlement of assessment tax as prescribed by the Local Government Act 1976 through the provision of Section 147(1). However, there is no firm action taken by KTMC against non-payment of assessment tax when compared to KMC and KSMC.

Table 6.6: Managing Assessment Taxpayers Accounts

	Municipal Councils		
	KMC	KSMC	KTMC
Incentive for early payment (Discount)	No	No	No
Penalties for late payment	Yes	Yes	Yes
Firm action against non-payment of assessment tax	Yes	Yes	No
Type of Action taken:			
Legal action	No	No	No
Seal the property	Yes	Yes	No
Seize the goods	Yes	Yes	No

Sealing the property and seizing the goods are common actions taken by both KMC and KSMC in dealing with delinquent assessment taxpayers. The council could only take these actions after issuing an *E-Form* for non-compliance (Section 148 of the LGA 1976).

Figures 6.8 and 6.9 present comparative analysis of using the *E-Form* between municipal councils in this study. The use of the *E-Form* in combating delinquent taxpayers is higher in KMC when compared to KSMC and KTMC. The number of *E-Forms* issued by KMC and KSMC has increased throughout the years of study. Although the number of *E-Forms* issued by KSMC has increased (1990 to 1996), the figures are still much lower compared to KMC. The KTMC, on the other hand, has failed to take advantage of the provisions prescribed in the Section 148 of the Local Government Act 1976.

Figure 6.8: The Total Number of *E-Forms* Issued

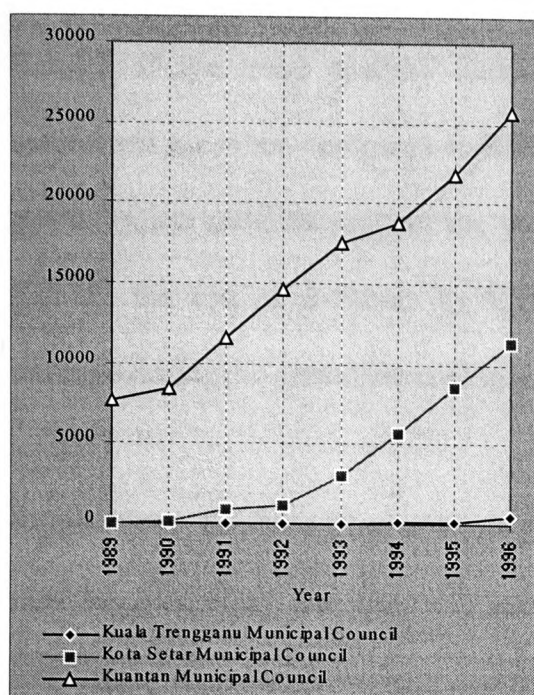


Figure 6.9: *E-Form* Issued and Assessment Tax Bills Ratio

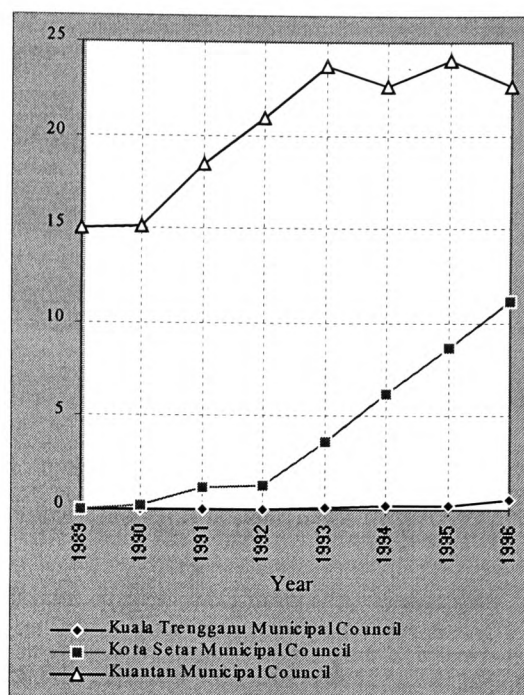


Figure 6.8 shows the total number of *E-Forms* issued by the municipal councils in this study from 1989 to 1996. From the figure, it can be seen that the number of *E-Forms* issued by KMC and KSMC is increasing annually. The KMC has the highest number of *E-Forms* issued to its delinquent taxpayers throughout the eight years covered in this study. The number of *E-Forms* issued by KTMC is less when compared to KMC and KSMC.

Figure 6.9 shows that the ratio of *E-Forms* issued to the total assessment tax bills by KMC steadily went up from 1990 to 1994, and gradually stabilised during the later years. This may indicate that the number of delinquent taxpayers is reducing. It can be concluded that, in comparison, the KMC is more aggressive in combating delinquent taxpayers compared to KSMC and KTMC. The effort shown by KTMC in hunting delinquent taxpayers is very minimal.

Summary

Results of the trend analysis indicate that KMC is more serious in collecting assessment tax when compared to KSMC and KTMC. From 1991, the KSMC's ratio gradually increased throughout the years of the study. In comparison to KMC and KSMC, the use of *E-Forms* by KTMC in combating non-compliance was very minimal during the period covered in this study.

Results from the above trend analysis provide an indication that Hypothesis Four '*The way local taxpayer accounts are managed does not differ between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu*' should be rejected.

6.2.3 The Use of Information Technology

Hypothesis Five

H₀₅ The use of information technology does not differ between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.

Table 6.7 presents the results of comparative analysis of computer usage between Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu. It may be observed from Table 6.7 that the level of computer usage in KMC is higher than in KSMC and KTMC. The percentage of staff not using computers is higher in KTMC and KSMC (56% and 48% respectively) compared to KMC (18%). However, the ratio of staff using computers is relatively high among municipal councils regardless of their level of assessment tax collection performance.

Table 6.7: Comparative Analysis of Computer Usage between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu

	Municipal Council		
	KMC	KSMC	KTMC
Total Number of Staff ^a	38	61	41
Number of Computers	23	20	11
Number of Staff Using Computers	31	32	18
Staff-Computer Ratio (Total Staff)	0.59	0.33	0.27
Staff-Computer Ratio (Using Computers)	0.71	0.63	0.61
Staff Not Using Computer (%)	18.42	47.57	56.10

^a Refers to the total number of staff in those departments or section involved in administering assessment tax functions or activities.

Table 6.8 provides a detailed comparative analysis of computer usage between each section in the assessment tax functions of the three selected municipal councils, i.e. KMC, KSMC and KTMC.

From the table, it can be seen that KMC has the highest staff-computer ratio for each assessment tax function compared to KTMC and KSMC. It also shows that the number of staff not using computers for each function is less than 25% compared to the other two councils - KSMC (25% to 52%) and KTMC (38% to 67%). Furthermore, computer literacy (i.e. computer background) is also higher in KMC (55%) when compared to KSMC (26%) and KTMC (12%).

Table 6.8: Comparative Analysis of Computer Usage of the Assessment Tax Functions Between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.

	Section Administering Assessment Taxes Functions											
	Billing			Collection			Taxpayer Records/Files			Valuation		
	H	M	L	H	M	L	H	M	L	H	M	L
Year start using computer	1987	1988	1992	1986	1988	1992	1987	1988	1992	1987	1990	1992
Number of computers	3	2	1	7	8	3	3	3	3	10	7	4
Total number of staff in the section	3	4	3	12	25	7	4	7	8	19	25	23
Number of staff using computer	3	3	1	9	12	3	4	5	5	15	12	9
- computing background	2	2	0	7	6	1	4	3	2	8	5	2
- no computing background	1	1	1	2	6	2	0	2	3	7	7	7
Staff-computer Ratio (total Staff)	1.00	0.50	0.33	0.58	0.32	0.43	0.75	0.43	0.38	0.53	0.28	0.17
Staff-computer Ratio (using computer)	1.00	0.67	1.00	0.78	0.67	1.00	0.75	0.60	0.60	0.67	0.58	0.44
Staff not Using Computer	0.00	25%	67%	25%	52%	57%	0.00	29%	38%	21%	52%	61%

Note: H - Kuantan Municipal Council
M - Kota Setar Municipal Council
L - Kuala Trengganu Municipal Council

The above analysis may further be enhanced by looking at Table 6.9 below. According to the table, KMC is more innovative in terms of the use of computerised systems in the assessment tax administration system when compared to KSMC and KTMC.

Table 6.9: The Level of Computerised Systems in the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu

Computerised System	Municipal Council		
	KMC	KSMC	KTMC
Individual section/unit (not integrated)	1986-91	1988-1996	1992 - 1996
On-line with all sections/units (within department or section)	1992-96	-	-
On-line with all other departments in the Council	-	-	-

Summary

From the analysis presented in this section, it may be concluded that there is a gap in terms of the use of computers in the assessment tax administration between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu. The level of computer usage among staff in KMC is very high in each assessment tax function compared to its counterparts (KSMC and KTMC). On the other hand, the use of computers by staff in KSMC and KTMC is quite similar. Based on the above results, therefore, Hypothesis Five is rejected: *The use of information technology does not differ between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.*

6.3 Organisational Commitment and High-commitment Work Systems

This section is divided into two parts. The first part provides a descriptive analysis of the data gathered pertaining to staff perceptions about organisational commitment and the presence of a high-commitment work system environment in the councils.

The second part presents the results of the testing of hypotheses six and seven. The testing of these hypotheses was carried out by using one-way ANOVA procedures. If there is a significant difference in the mean scores between groups, the Scheffe multiple comparison test was then conducted to identify pairs of groups which have a significant difference in their mean.

6.3.1 Sample for the Study

The data gathered for this section was obtained from 109 staff, at all levels of the organisation, who are involved in administrating the assessment tax system, from the three different municipal councils' assessment tax collection performance. The three selected municipal councils are Kuantan Municipal Council (KMC), Kota Setar Municipal Council (KSMC) and Kuala Trengganu Municipal Council (KTMC). The detailed breakdown of the respondents appears in Table 6.10. The distribution of respondents by level of assessment tax collection performance (i.e. High, Medium and Low) and demographic characteristics is presented in Appendix 6.1.

Table 6.10: Number of Questionnaires Distributed and Collected

	Questionnaires Distributed		Questionnaires Completed	
	No.	%	No.	%
Kuantan Municipal Council	38	27.14	32	84.21
Kota Setar Municipal Council	61	43.57	47	77.05
Kuala Trengganu Municipal Council	41	29.29	30	73.17
Total	140	100.00	109	77.86

The questionnaire was distributed to all council staff that are involved in administering the assessment tax functions through their respective heads of department or section⁸⁸. As shown in Table 6.10 above, 109 (77.86%) of the councils' staff participated in this study, while the rest were not reachable⁸⁹ over the time period this survey was carried out. The frequency distribution of all variables used in the survey pertaining to organisational commitment and high-commitment work system is given in Appendix 6.2.

6.3.2 Perceptions about Organisational Commitment

This section provides results of the perceptions of council assessment tax staff regarding organisational commitment. These findings are based on the strengths of the assessment tax staff agreement regarding organisational commitment.

Results are presented for the total sample as well as for each of the municipal councils under study.

⁸⁸ The confidentiality of the workload questionnaires was based on personal trust between the researcher and the heads of department.

.3.2.1 Total Sample

Table 6.11 presents the summary of statistics showing the strengths of the assessment tax staff agreement towards organisational commitment for the total sample in this study. It may be observed from the Table 6.11 that, on the whole, the respondents in this study show a relatively high level of organisational commitment. The items with the largest disagreements shown by the respondents in the sample are:

- OC4 - the worst organisation of all to work for ($M = 3.99$, $S.D. = 0.78$);
- OC8 - do not really care about the fate of the organisation ($M = 3.93$, $S.D. = 0.67$); and.
- OC12 - working in this organisation was a mistake ($M = 3.91$, $S.D. = 0.75$).

Using 95% confidence limits, the estimated means for OC4, OC8 and OC12 among respondents are 3.99 ± 0.684 , 3.93 ± 0.587 , and 3.91 ± 0.657 respectively. This indicates that with 95 per cent confidence response means for OC4, OC8 and OC12 lie between 3.31 - 4.67, 3.34 - 4.52 and 3.25 - 4.57 respectively on the scale of 1 (strongly disagree) to 5 (strongly agree).

Furthermore, the respondents also displayed strong agreement on:

- OC1 - proud to tell others that they are part of the organisation ($M = 3.85$, $S.D. = 0.74$); and,
- OC3 - glad to choose this organisation to work for ($M = 3.81$, $S.D. = 0.77$).

⁸⁹ They were either on annual leave (including medical leave), attending courses or other activities that are outside

While, the item which has the weakest agreement shown by the respondents in this study is OC6. Using 95% confidence limits, the estimated means for OC6 lies between 2.21 and 4.15 on the scale of 1 (strongly disagree) to 5 (strongly agree).

Table 6.11: Summary Statistics about the Organisational Commitment as Perceived by Tax Staff - Total Sample

	ORGANISATIONAL COMMITMENT ITEMS	M	S. D	Rank	95% CI _M
OC4	For me this is the worst organisation of all to work for	3.99	0.78	1	3.99 ±0.684
OC8	I don't really care about the fate of this organisation	3.93	0.67	2	3.93 ±0.587
OC12	Deciding to work for this organisation was a mistake on my part	3.91	0.75	3	3.91 ±0.657
OC1	I am proud to tell others that I am part of this organisation	3.85	0.74	4	3.85 ±0.649
OC3	I am extremely glad I chose this organisation to work for over others I was considering at time I joined	3.81	0.77	5	3.81 ±0.675
OC10	There is nothing much to be gained by sticking with this organisation	3.64	0.88	6	3.64 ±0.771
OC5	I am willing to put in a great deal of effort beyond that normally expected in order to ensure that this organisation is successful	3.54	0.84	7	3.54 ±0.736
OC2	I tell my friends this is a good organisation to work for	3.50	0.82	8	3.50 ±0.719
OC9	I would accept almost any type of job assignment in order to keep working for this organisation	3.49	0.88	9	3.49 ±0.771
OC11	It would take a lot of changes in my present circumstances to cause me to leave this organisation	3.45	1.09	10	3.45 ±0.955
OC13	I always find it easy to agree with this organisation's policies on important matters relating to its staff	3.36	0.88	11	3.36 ±0.771
OC7	I find that my values and the organisation's values are very similar	3.27	0.90	12	3.27 ±0.789
OC6	This organisation really inspires the best in me in the way of job performance	3.18	1.11	13	3.18 ±0.973

(Scale: 1=Strong Disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly Agree)

Results of the t-tests indicate that there is no significant difference between the mean scores for the items identified in this study.

6.3.2.2 Municipal Councils - Kuantan, Kota Setar and Kuala Trengganu

Table 6.12 ranks the strength of agreement of the assessment tax staff regarding organisational commitment in the three municipal councils - KMC, KSMC and KTMC.

Kendall's W test ($W = 0.550$, $X^2(12) = 19.80$) reveals that there is no significant agreement between the rankings of the staff perceptions towards organisational commitment in all the three municipal councils. Respondents from KMC and KSMC regarded that deciding to work for the council was not a mistake for them (OC12). Both groups ranked 1st for OC12. The mean score for OC12 as perceived by the staff in KMC and KSMC lies within 3.62 - 4.88 (KMC) and 3.37 - 4.67 (KSMC) intervals with 95% confidence. While, OC4, OC1 and OC10 received higher agreement among the staff from KMC and KSMC compared to those in KTMC. OC8 (don't really care about the fate of this organisation), which is ranked second by staff in KSMC ($M = 3.99$, $S.D. = 0.74$) and KTMC ($M = 3.87$, $S.D. = 0.43$) respectively, is ranked sixth by those in KMC. On the other hand, OC3 is ranked higher by the KTMC's staff (1st) compared to the ranks assigned by staff in KMC and KSMC (6th and 7th respectively).

Table 6.12: Summary Statistics about the Organisational Commitment as Perceived by Tax Staff

	ORGANISATIONAL COMMITMENT ITEMS	KMC <i>High Collection Performance</i> (N=32)				KSMC <i>Medium Collection Performance</i> (N=47)				KITMC <i>Low Collection Performance</i> (N=30)			
		M	S.D.	Rank	95% CIM	M	S.D.	Rank	95% CIM	M	S.D.	Rank	95% CIM
OC12	Deciding to work for this organisation was a mistake on my part	4.25	0.72	1	4.25 ±0.631	4.02	0.74	1	4.02 ±0.649	3.37	0.49	8	3.37 ±0.430
OC4	For me this is the worst organisation of all to work for	4.22	0.79	2	4.22 ±0.692	3.94	0.87	3	3.94 ±0.763	3.83	0.53	3	3.83 ±0.465
OC1	I am proud to tell others that I am part of this organisation	4.15	0.63	3	4.15 ±0.552	3.91	0.72	4	3.91 ±0.631	3.43	0.73	7	3.43 ±0.640
OC10	There is nothing much to be gained by sticking with this organisation	4.00	0.67	4	4.00 ±0.578	3.87	0.71	5	3.87 ±0.622	2.90	0.88	11	2.90 ±0.711
OC2	I tell my friends this is a good organisation to work for	3.97	0.65	5	3.97 ±0.570	3.42	0.71	10	3.42 ±0.622	3.13	0.94	10	3.13 ±0.824
OC3	I am extremely glad I chose this organisation to work for over others I was considering at time I joined	3.94	0.95	6.5	3.94 ±0.833	3.62	0.71	7	3.62 ±0.622	3.97	0.61	1	3.97 ±0.535
OC8	I don't really care about the fate of this organisation	3.94	0.76	6.5	3.94 ±0.666	3.99	0.74	2	3.99 ±0.649	3.87	0.43	2	3.87 ±0.377
OC6	This organisation really inspires the best in me in the way of job performance	3.81	0.69	8.5	3.81 ±0.605	3.57	0.71	8	3.57 ±0.622	1.90	0.96	13**	1.90 ±0.842
OC11	It would take a lot of changes in my present circumstances to cause me to leave this organisation	3.81	0.96	8.5	3.81 ±0.842	3.70	0.86	6	3.70 ±0.754	2.67	1.18	12	2.67 ±1.034
OC9	I would accept almost any type of job assignment in order to keep working for this organisation	3.78	0.79	10	3.78 ±0.692	3.30	0.93	11	3.30 ±0.815	3.47	0.82	5.5	3.47 ±0.719
OC13	I always find it easy to agree with this organisation's policies on important matters relating to its staff	3.72	0.77	11	3.72 ±0.675	3.04	0.93	13	3.04 ±0.815	3.47	0.73	5.5	3.47 ±0.640
OC5	I am willing to put in a great deal of effort beyond that normally expected in order to ensure that this organisation is successful	3.53	0.91	12	3.53 ±0.798	3.45	0.93	9	3.45 ±0.815	3.70	0.60	4	3.70 ±0.526
OC7	I find that my values and the organisation's values are very similar	3.34	0.94	13	3.34 ±0.824	3.21	0.80	12	3.21 ±0.701	3.27	1.01	9	3.27 ±0.885

(Scale: 1=Strong Disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly Agree)

Kendall's W = 0.550; X² (12) = 19.80

Asterisks indicate the mean score for the item is significantly lower than the mean score of the immediately higher ranked (preceding) item. **p<0.010

Meanwhile, OC9, OC13 and OC5 are assigned a lower rank by staff in KMC and KSMC, but not as perceived by those in the Kuala Trengganu Municipal Council. The staff in KTMC are more 'willing to put in a great deal of their effort to ensure that the council is successful' (OC5 - ranked 4th) compared to staff in KMC and KSMC (ranked 12th and 9th respectively).

T-test results indicate that there is no significant difference in the mean scores in KMC and KSMC groups. In group KTMC, however, the mean score of the OC6 ($M = 1.90$, ranked 13th) is significantly lower ($p < 0.050$) than the mean score of the immediately higher ranked (OC11, $M = 2.67$, ranked 12th).

6.3.3 Perceptions towards the Presence of the High-commitment Work System

This part provides the results of the perceptions of council assessment tax staff regarding the presence of the high-commitment work system environment in the three selected municipal councils. These findings are based on the strength of agreement about the presence of the high-commitment work system environment.

The results of descriptive analysis are presented for the total sample as well as for each level of assessment tax collection performance councils.

6.3.3.1 Total sample

Based on the responses given by the respondents, Table 6.13 tabulates the items of HCWS according to their relative agreement.

Table 6.13: Summary Statistic about the Presence of High-Commitment Work System as Perceived by Tax Staff - Total Sample

HIGH-COMMITMENT WORK SYSTEM ITEMS		M	S. D	Rank	95% CI _M
HCWS 8	We work as a team in this department	3.95	0.83	1	3.95 ±0.728
HCWS 12	Regular information to help with my job is provided	3.72	0.89	2*	3.72 ±0.780
HCWS 10	Staff in my department are encouraged to give ideas in the decision making process	3.64	0.82	3	3.64 ±0.719
HCWS 6	Staff cover vacancies in a flexible manner	3.63	0.82	4	3.63 ±0.719
HCWS 7	My department is concerned about learning and personal development	3.57	0.95	5	3.57 ±0.833
HCWS 11	There are regular training sessions	3.53	0.84	6	3.53 ±0.736
HCWS 13	We have weekly quality circle meetings	3.48	1.28	7	3.48 ±1.122
HCWS 14	The organisation keeps me fully informed of its policies	3.44	0.96	8	3.44 ±0.842
HCWS 1	My job is broadly defined	3.38	1.07	9	3.38 ±0.938
HCWS 2	Job rotation always happens in my department	3.33	0.98	10	3.33 ±0.859
HCWS 5	Self-or-peer review is our practice in this department	3.30	1.02	11	3.30 ±0.894
HCWS 9	Status differences in my department are minimised	3.16	1.08	12	3.16 ±0.947
HCWS 4	My fellow staff often evaluate my work	2.99	0.99	13	2.99 ±0.868
HCWS 3	The pay here is according to staff skill	2.59	1.09	14**	2.59 ±0.955

(Scale: 1=Strong Disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly Agree)

Asterisks indicate the mean score for the item is significantly lower than the mean score of the immediately higher ranked (preceding) item. *p<0.05; **p<0.010

The rankings of these items are based on the mean scores of the strength of agreement of the items as perceived by the respondents. Table 6.13 shows summary statistics of the mean scores and rankings for the strengths of agreement of the perceived of HCWS environment according to the staff of the three municipal councils.

It can be seen from the Table 6.13 that, on the whole, the respondents in this study perceived teamwork (HCWS8), up-to-date information (HCWS12) and participation in decision making processes (HCWS10) to be the three items of HCWS which have the highest degree of presence in their work environment. The mean for the items HCWS8, HCWS12 and HCWS10 fall within 3.95 ± 0.728 , 3.72 ± 0.780 and 3.64 ± 0.719 with 95% confidence intervals, respectively. The items that have the weakest agreement about their presence are status differences (HCWS9), peer-work evaluation (HCWS4) and pay (HCWS3). Using 95 percent confidence limits, the estimated mean for the lowest ranked item (HCWS3) lies within 1.63 - 3.55 (2.59 ± 0.955) on the scale of 1 (strongly disagree) to 5 (strongly agree).

T-test results show that the mean score of the HCWS12 ($M = 3.72$, ranked 2nd) is significantly lower ($p < 0.050$) than the mean score of HCWS8 ($M = 3.95$, ranked 1st). And, the mean score for HCWS3 ($M = 2.59$, ranked 14th) is significantly lower ($p < 0.010$) than the mean score for HCWS4 ($M = 2.99$, ranked 13th).

6.3.3.2 Municipal Councils - Kuantan, Kota Setar and Kuala Trengganu

Table 6.14 presents summary statistics for the strength of agreement, including rankings, about the perceived presence of HCWS items according to staff working in the assessment tax departments and other related sections of the three municipal councils in the sample.

From table 6.14, it can be seen that there is a strong agreement (Kendall's $W = 0.635$, $X^2(12) = 24.78$, $p < 0.025$) between the rankings of the perceived presence of the HCWS items among the staff working in all the three municipal councils.

Table 6.14: Summary Statistics about the Presence of High-Commitment Work System as Perceived by Tax Staff

	HIGH-COMMITMENT WORK SYSTEM ITEMS	KMC High Collection Performance (N=32)				KSMC Medium Collection Performance (N=47)				KIMC Low Collection Performance (N=30)			
		M	S.D	Rank	95% CI _M	M	S.D	Rank	95% CI _M	M	S.D	Rank	95% CI _M
HCWS13	We have weekly quality circle meetings	4.69	0.47	1	4.69 ±0.412	3.68	0.69	2	3.68 ±0.605	1.87	0.86	14**	1.87 ±0.605
HCWS 12	Regular information to help with my job is provided	4.25	0.44	2***	4.25 ±0.386	3.60	0.80	4	3.60 ±0.701	3.33	1.12	7.5	3.33 ±0.701
HCWS 8	We work as a team in this department	4.12	0.71	3.5	4.12 ±0.622	3.66	0.89	3	3.66 ±0.780	4.23	0.73	1	4.23 ±0.780
HCWS 14	The organisation keeps me fully informed of its policies	4.12	0.42	3.5	4.12 ±0.368	3.36	0.92	8	3.36 ±0.806	2.83	0.99	11	2.83 ±0.806
HCWS 10	Staff in my department are encouraged to give ideas in the decision making process	4.00	0.51	5	4.00 ±0.447	3.51	0.93	5	3.51 ±0.815	3.47	0.82	3.5	3.47 ±0.815
HCWS 11	There are regular training sessions	3.84	0.57	6	3.84 ±0.500	3.43	0.90	6.5	3.43 ±0.789	3.37	0.93	6	3.37 ±0.789
HCWS 7	My department is concerned about learning and personal development	3.75	0.76	7	3.75 ±0.666	3.43	0.97	6.5	3.43 ±0.850	3.60	1.07	2***	3.60 ±0.850
HCWS 6	Staff cover vacancies in a flexible manner	3.59	0.84	8	3.59 ±0.736	3.79	0.78	1	3.79 ±0.684	3.43	0.86	5	3.43 ±0.684
HCWS 1	My job is broadly defined	3.56	0.91	9	3.56 ±0.798	3.28	1.15	9	3.28 ±1.008	3.33	1.09	7.5	3.33 ±1.008
HCWS 9	Status differences in my department are minimised	3.53	0.98	10	3.53 ±0.859	2.81	1.10	13	2.81 ±0.964	3.30	1.02	9.5	3.30 ±0.964
HCWS 5	Self-or-peer review is our practice in this department	3.50	0.98	11	3.50 ±0.859	3.17	1.05	10	3.17 ±0.920	3.30	1.02	9.5	3.30 ±0.920
HCWS 2	Job rotation always happens in my department	3.47	0.98	12	3.47 ±0.859	3.15	0.98	11	3.15 ±0.859	3.47	0.97	3.5	3.47 ±0.859
HCWS 4	My fellow staff often evaluate my work	3.16	0.95	13	3.16 ±0.833	3.00	0.98	12	3.00 ±0.859	2.80	1.03	12	2.80 ±0.859
HCWS 3	The pay here is according to staff skill	2.84	1.25	14	2.84 ±1.096	2.38	1.03	14*	2.38 ±0.903	2.63	0.96	13	2.63 ±0.903

(Scale: 1=Strong Disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly Agree)

Kendall's W = 0.635, $X^2(13) = 24.78$, $p < 0.025$

Asterisks indicate the mean score for the item is significantly lower than the mean score of the immediately higher ranked (preceding) item. * $p < 0.05$; ** $p < 0.01$ *** $p < 0.001$

For KMC staff, HCWS13 ($M = 4.69$, $S.D. = 0.47$) was perceived to have the highest degree of presence in their work environment. The 95% significance level of the estimated mean for HCWS lies between 4.28 and 5.00 (4.69 ± 0.412) on the scale of 1 (strongly disagree) to 5 (strongly agree). Whereas, HCWS6 ($M = 3.79$, $S.D. = 0.78$) received the strongest agreement among the staff working in the KSMC. HCWS8 ($M = 4.23$, $S.D. = 0.73$), on the other hand, is perceived to be of the highest degree of presence by staff in KTMC. The mean for HCWS8 lies between 3.45 and 5.00 (4.23 ± 0.780) on the scale of 1 to 5 with 95% significance level.

HCWS3 is perceived to be the (HCWS) items with the lowest degree of presence for both the KMC and KSMC. Whereas, item 13, which is ranked 1st ($M = 4.69$, $S.D. = 0.47$) and 2nd ($M = 3.68$, $S.D. = 0.69$) by those in KMC and KSMC, is ranked lowest (14th) by the staff working in KTMC. The mean for HCWS13 lies between 1.27 and 2.47 (1.87 ± 0.605) on the scale of 1 to 5 with 95% significance level.

Results of the t-tests indicate that, for KMC group, the mean score for the strength of agreement the presence of HCWS12 ($M = 4.25$, ranked 2nd) is significantly lower ($p < 0.001$) than the mean score for HCWS13 ($M = 4.69$, ranked 1st). In the KSMC group, the mean score of the HCWS3 ($M = 2.38$, ranked 14th) is significantly lower ($p < 0.050$) than the mean score of HCWS9 ($M = 2.81$, ranked 13th). The mean score of HCWS7 ($M = 3.60$, ranked 2nd) as perceived staff in KTMC is significantly lower ($p < 0.001$) than the mean score of HCWS8 ($M = 4.23$, ranked 1st). HCWS3, which is ranked 13th, has a significantly higher mean score ($p < 0.050$) compared to HCWS13 (ranked 14th) as perceived by staff in KTMC.

6.3.4 Summary

This section presents a descriptive analysis on the strength of agreement on organisational commitment and the presence of high-commitment work system environment as perceived by the staff of the assessment tax administration of the three municipal councils under study.

Results from the above analysis indicate that, in general, the rankings of the organisational commitment items are relatively similar between KMC and KSMC. However, the KTMC's staff show that they are extremely glad to have chosen this council to work for over others (OC3) and also do not agree that they do not really care about the fate of the council (OC8). Items which were perceived to be less agreed by KTMC's staff are OC6 (The organisation really inspires the best in me in the way of job performance) and OC11 (It would take a lot of changes in my present circumstances to cause me to leave this organisation).

With respect to the strength of agreement about the presence of a high-commitment work environment, respondents in the sample perceived HCWS8 as the item with has the highest degree of presence in their work environment. The High-commitment Work System items that perceived to have lower degree of presence are:

- HCWS3 - the pay here is according to staff skill; and,
- HCWS4 - my fellow staff often evaluate my work.

It should be pointed out that the rankings of the organisational commitment and high-commitment work system items were based on the mean scores: respondents were not

asked to rank the items themselves. The mean scores were only used as a basis for evaluating the relative strengths of agreement about organisational commitment and the presence of high-commitment work environment items. There may or may not be significant differences in the mean scores of those items between the three municipal councils under study. The investigation of the differences between group means is carried out in the next section, where the results of one-way ANOVA are presented.

6.3.5 Hypothesis Testing

6.3.5.1 Perceptions about Organisational Commitment

Hypothesis Six

There is no significant difference in the perceptions of assessment tax staff about organisational commitment between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.

Table 6.15 presents the results of ANOVA for mean differences in the strength of agreement in terms of organisational commitment. From the table it can be seen that the mean score of the organisational commitment for staff in KMC is the highest ($M = 3.88$, $S.D. = 0.44$), while those in KTMC ($M = 3.30$, $S.D. = 0.34$) have the lowest.

Table 6.15: One-way ANOVA for Mean Differences about the Organisational Commitment as Perceived by Tax Staff

Source	D. F.	Sum of Squares	Mean Squares	F Ratio	F Prob.
Between Groups	2	5.1631	2.5815	14.9913	.0000***
Within Groups	106	18.2536	.1722		
Total	108	23.4166			

***p<0.001

Group	Count	Mean	S. D.
1. Kuala Trengganu Municipal Council	30	3.3051	.3359
2. Kota Setar Municipal Council	47	3.6187	.4404
3. Kuantan Municipal Council	32	3.8822	.4421

Results of Scheffe multiple range tests in Table 6.16 show that the mean scores of both KMC and KSMC are significantly different ($p<0.05$) to the score of the KTMC. There is also a significant difference between the mean scores of KMC and KSMC.

Table 6.16: Scheffe Multiple Range Test for Mean Differences about the Organisational Commitment as Perceived by Tax Staff

Mean	Group	1	2	3
3.3051	1			
3.6187	2	*		
3.8822	3	*	*	

Group

1. Kuala Trengganu Municipal Council
2. Kota Setar Municipal Council
3. Kuantan Municipal Council

(*) Denotes pairs of groups significantly different at the 0.05 level.

6.3.5.2 Perceptions about the Presence of High-commitment Work System

Hypothesis Seven

There is no significant difference in the perceptions of tax staff about the presence of High-commitment Work System between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.

One-way ANOVA results in Table 6.17 indicate that the highest mean score for the adoption of high-commitment work system is by staff in KMC ($M = 3.74$, $S.D. = 0.31$), followed by staff in KSMC ($M = 3.30$, $S.D. = 0.42$), and the lowest score is by staff in KTMC ($M = 3.21$, $S.D. = 0.41$).

Table 6.17: One-way ANOVA for Mean Differences about the Presence of Work-designed System as Perceived by Tax Staff

Source	D. F.	Sum of Squares	Mean Squares	F Ratio	F Prob.
Between Groups	2	5.3232	2.6616	17.7048	.0000***
Within Groups	106	15.9350	.1503		
Total	108	21.2582			

*** $p < 0.001$

Group	Count	Mean	S. D.
1. Kuala Trengganu Municipal Council	30	3.2119	0.41
2. Kota Setar Municipal Council	47	3.3024	0.42
3. Kuantan Municipal Council	32	3.7455	0.31

The Scheffe multiple range test (Table 6.18) shows that the mean scores of staff in KMC is significantly different from means of staff in KTMC and KSMC. There is no significant difference between the mean scores of KSMC and KTMC.

Table 6.18: Scheffe Multiple Range Test for Mean Differences about the Presence of Work-designed System as Perceived by Tax Staff

Mean	Group	1	2	3
3.2119	1			
3.3024	2			
3.7455	3	*	*	

Group

1. Kuala Trengganu Municipal Council

2. Kota Setar Municipal Council

3. Kuantan Municipal Council

(*) Denotes pairs of groups significantly different at the 0.05 level.

6.3.5.3 Summary

From the results of one-way ANOVA presented in this section, it appears that the following hypotheses are rejected by the data. These hypotheses are:

H_{06} *There is no significant differences in the perceptions of assessment tax staff about organisational commitment between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.*

H_{07} *There is no significant differences in the perceptions of tax staff about the presence of High-commitment Work System between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.*

6.4 Summary and Conclusions

This chapter presented the results of the testing of the seven hypotheses developed in chapter 4 regarding the assessment tax administrative system.

The first two hypotheses, the efficiency and productivity of the assessment tax administrative system, were measured in terms of percentage of the administrative cost (collection costs) against the total assessment tax revenue and the number of assessment tax staff against the number of property holders in each municipal council. Barr *et al.* (1977), Ishi (1993) and Hajah Mustafa (1996) have used a similar method for measuring efficiency and productivity. The KMC's tax administration system was found to be fairly efficient compared to KSMC. The assessment tax administration systems of the KMC and KSMC are more efficient when compared to Kuala Trengganu Municipal Council. The findings, based on the sample of the study, show that higher collection performance municipal councils are more efficient in administering their assessment tax functions.

The study also reveals that the productivity of the municipal council with a high collection performance is higher than the municipal councils with medium and low collection performance. It appears, however, that low collection performance is more productive when compared to medium collection performance. The findings of this study indicate that the productivity level of the assessment tax administrative system does not correspond to its collection performance (i.e. medium and low collection performances).

The second part of the chapter presented the results of the comparative analysis of billing and collection of the assessment tax practised by the municipal councils. In terms of the assessment tax billing and collection practised by the three different levels of assessment tax collection performance municipal councils no difference was observed. The provisions in the Local Government Act 1976 were the major guidance for the municipal councils in preparing their tax bills. With regard to managing the non-conformant taxpayer, this study found that the Kuantan and Kota Setar municipal councils have adhered to the instruments that have been provided in the Section 148 of the Act 1976, when compared to Kuala Trengganu.

The level of computer usage among municipal councils in the sample is very much different. The ratio of those using computers among staff in the Kuantan Municipal Council is higher than Kota Setar and Kuala Trengganu. The staff-computer ratio is the highest in Kuantan, compared to Kota Setar and Kuala Trengganu.

The last part of the chapter examined whether there is a significant difference in terms of organisational commitment and the presence of high-commitment work system environment between municipal councils in this study. Results of the one-way ANOVA showed that there a significant difference in terms of organisational commitment between the three municipal councils under study.

The study also found that there is a significant difference in terms of staff perceptions towards the presence of high-commitment work system environment between Kuantan, Kota Setar and Kuala Trengganu. The Scheffe multiple range test, however,

show that there is no significant difference between the mean scores of Kota Setar and Kuala Trengganu.

The analysis and implications of the findings pertaining to tax administration system will be further discussed in Chapter 8.

Chapter 7

RESULTS 2: TAXPAYER COMPLIANCE BEHAVIOUR

7.0 Introduction

As indicated in chapter 3, taxpayers' voluntary compliance would greatly enhance assessment tax collection performance. High voluntary compliance has been associated with benefit received, the clarity of the assessment tax system, the convenience of payment and the quality of services delivered to taxpayers. It has also been argued that compliance costs, taxpayers' ability to pay and the way in which relevant financial information is disclosed may influence taxpayer compliance behaviour. The purpose of this chapter is, therefore, to present the results of analysis of the data gathered pertaining to the above voluntary compliance factors.

This chapter is divided into three main parts. The first part presents the respondents to the study. The second part provides results of the analysis of taxpayer perceptions regarding benefit received, clarity of the assessment tax systems, convenience of payment and quality of services delivered by the three municipal councils. The analysis begins with a descriptive analysis of the above factors followed by hypotheses testing. The analysis of variance (ANOVA) is used to examine the existence of statistical differences in group means of taxpayer compliance factors between the high, medium and low assessment tax collection performance. Results of the ANOVA

suggest that there are significant differences in the perceptions of taxpayers about benefit received and quality of services delivered between groups of taxpayers in the sample. However, no significant differences on the convenience of payment and clarity of assessment tax systems as perceived by groups of taxpayers among municipal councils under study was discovered.

The third part of the chapter provides the findings obtained from descriptive analysis of the assessment taxpayer's ability to pay, compliance costs, and the presence of the financial information. One-way ANOVA is used to examine the differences of mean scores between the three municipal councils in this study. The ANOVA suggests that the level of taxpayer's ability to pay in the sample is significantly different among the three municipal councils. Furthermore, the findings show that the taxpayers' compliance cost is higher in the high compliance council compared to those in medium and low compliance level. Interestingly, the respondents in this study perceived that the availability of financial information would influence their attitudes towards paying assessment tax.

7.1 Respondents to the Study

The data gathered for this study has been obtained from 305 assessment taxpayers from three municipal councils in Malaysia. The respondents were selected based on municipal council's level of assessment tax collection performance (or assessment tax compliance), i.e. High (N=103), Medium (N=104) and Low (N=98) levels of collection performance.

As prescribed by the Local Government Act 1976, the owner of the property is responsible for paying assessment tax to the relevant council based on the location of the property. Therefore, the sample of this study may not be strictly a representative sample of assessment taxpayers in Malaysian local authorities as a whole. To obtain a truly representative sample of the taxpayers one would have to develop a random sample of assessment taxpayers from a complete list of owner-occupier taxpayers in each local authority of the entire country. Unfortunately, such a complete list does not exist. However, an attempt was made to sample owner-occupier assessment taxpayers in different levels of municipal councils based on assessment tax collection performances as discussed in chapter five. A total of 324 sets of questionnaires were personally distributed to the contact persons in each locality of the three selected municipal councils. The contact persons were asked to distribute the questionnaires at random to owner-occupier taxpayers in their locality. A covering letter and a letter from the research supervisor were included in each set of questionnaires (see Appendix 7.1 and 7.2). The researcher personally collected the completed questionnaires from the contact persons.

It was observed that some of the respondents had contradictory replies to similar questions. This reduces the value of information provided by the respondents. On that basis and the basis of missing answers 19 of the total questionnaires were dropped from the analysis. A total of 305 questionnaires which remained were used in the analysis and statistically this represents adequate data to test the various hypotheses. This constitutes an overall response rate of 94%. The distribution of respondents by level of the council's collection performance and demographic characteristics is

presented in Appendix 7.3. The frequency distribution of all variables used in the assessment taxpayer survey is given in Appendix 7.4.

7.2 Taxpayers' Perceptions about Benefit Received, Clarity of the Assessment Tax System, Convenience of Payment and Quality of Service

This section is divided into two parts. The first part provides a descriptive analysis of the data gathered pertaining to taxpayers' perceptions about benefit received, clarity of assessment tax systems, convenience of payment, and quality of service delivered to the taxpayer. These findings are based on the strengths of agreement about the degree of presence of these factors. The rankings of the items in each factor are based on the mean scores of the degree of agreement of the items as perceived by the respondents. Results of descriptive analysis were conducted using two statistical procedures. The procedure, Kendall's coefficient of concordance (Kendall's W), was used to assess the degree of concordance between the rankings of the above factors⁹⁰ assigned by the three groups of taxpayers. The second procedure was the paired t-test. This procedure was used for investigating significant differences between the mean scores of the above factors within groups.

The second part of this section presents the results of testing the above factors to related hypotheses. The testing of these hypotheses is carried out using one-way ANOVA procedures. The Scheffe comparison test was conducted to identify if there was a significant difference in the mean scores between the groups.

⁹⁰ Refer to Benefit Received (BR), Clarity of Assessment Tax System (CATS), Convenience of Payment (COP) and Quality of Service (QOS).

7.2.1 Perceptions about Satisfaction with Benefit Received

7.2.1.1 Total Sample

Based on the responses given by the respondents, Table 7.1 tabulates the satisfaction of benefit received items according to their relative agreements. The highest agreements in satisfaction with benefit received shown by respondents in the sample are:

- BR4 - Sport and Recreational Facilities (M = 3.21, S.D. = 1.05); and,
- BR5 - Beautification and Maintenance of Public Park (M = 3.20, S.D. = 1.15).

Using 95 per cent confidence limits, the estimated means for BR4 and BR5 among respondents in the study are 3.21 ± 0.920 and 3.20 ± 1.008 respectively. This indicates that with 95% confidence response means for BR4 and BR5 lie between 2.29 - 4.13 and 2.19 - 4.21 respectively on the scale of 1 (strongly disagree) to 5 (strongly agree).

Table 7.1: Summary Statistics about Satisfaction with Benefit Received as Perceived by Taxpayers - Total Sample

	Benefit Received Items	M	S.D	Rank	95% CI_M
BR4	Sport and Recreational Facilities	3.21	1.05	1	3.21 ± 0.920
BR5	Beautification & Maintenance of Public Park	3.20	1.15	2	3.20 ± 1.008
BR2	Road Maintenance & Cleansing	3.10	1.08	3	3.10 ± 0.947
BR1	Refuse Collection	2.88	1.15	4***	2.88 ± 1.008
BR3	Drainage System	2.69	1.10	5***	2.69 ± 0.964

(Scale: 1=Strong Disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly Agree)

Asterisks indicate the mean score for the item is significantly lower than the mean score of the immediately higher ranked (preceding) item. *** $p < 0.001$

The items with less agreement about their satisfaction are:

- BR1- Refuse Collection (M = 2.88, S.D. = 1.15); and,
- BR3 -Drainage System (M = 2.69, S.D. = 1.10).

The 95% confidence indicates that the estimated intervals for the means for BR1 and BR3 lie between 1.89 - 3.89 (2.88 ± 1.008) and 1.73 - 3.65 (2.69 ± 0.964) on the scale of 1 (strongly disagree) to 5 (strongly agree).

Results of the t-test show that the mean score regarding refuse collection is significantly lower ($p < 0.001$) than the mean score of road maintenance and cleansing, and the mean score for drainage systems is significantly lower ($p < 0.001$) than the mean score for refuse collection.

7.2.1.2 Municipal Councils - Kuantan, Kota Setar and Kuala Trengganu

Table 7.2 shows summary of statistics, including case rankings, for the strengths of agreement about the satisfaction of the benefit received according to taxpayers in the three municipal councils with different levels of assessment tax collection performance.

From Table 7.2, it is observed that there is no significant agreement (Kendall's $W = 0.6497$, $X^2(5) = 7.796$) between the rankings of the perceived satisfaction of the benefit received items by the three groups of taxpayers. However, taxpayers in KMC and KTMC show quite a similar rankings. Both groups regard beautification and

maintenance of public parks (BR5) and sport and recreational facilities (BR4) as having the highest degree of satisfaction in terms of the benefit received from their councils. However, the 95 per cent confidence interval for the mean of the both groups show taxpayers responses are diverse. The estimated intervals of the means for BR5 and BR4 in KMC are 2.95 - 4.57 (3.76 ± 0.806) and 2.77 - 4.37 (3.57 ± 0.798) respectively. On the other hand, estimated mean interval for taxpayers in KTMC is slightly lower than that of those in KMC. The intervals are 2.90 ± 1.061 (BR5) and 2.86 ± 0.920 (BR4) on the scale of 1 to 5.

They also ranked the lowest degree of satisfaction of the benefits received from drainage systems (BR3) and refuse collection (BR1). Based on scale 1 to 5, that the estimated interval of mean given by KMC's taxpayers to BR1 lies between 2.07 - 3.99 (3.03 ± 0.955) compared to 1.61 - 3.59 (2.60 ± 0.991) by those in KTMC.

Table 7.2: Summary Statistics about Satisfaction with Benefit Received as Perceived by Taxpayers

Benefit Received Items	KMC <i>High Collection Performance</i> N=103					KSMC <i>Medium Collection Performance</i> N=104					KITMC <i>Low Collection Performance</i> N=98				
	M	S. D	Rank	95% CI _M		M	S.D	Rank	95% CI _M		M	S.D	Rank	95% CI _M	
BR5 Beautification and Maintenance of Public Park	3.76	0.92	1	3.76 ±0.806		2.94	1.10	3	2.94 ±0.964		2.90	1.21	1	2.90 ±1.061	
BR4 Sport & Recreational Facilities	3.57	0.91	2*	3.57 ±0.798		3.17	1.06	1	3.17 ±0.929		2.86	1.05	2.5	2.86 ±0.920	
BR2 Road Maintenance & Cleansing	3.55	0.86	3	3.55 ±0.754		2.88	1.13	4	2.88 ±0.991		2.86	1.10	2.5	2.86 ±0.964	
BR3 Drainage Systems	3.12	0.97	4***	3.12 ±0.850		2.46	1.14	5***	2.46 ±0.999		2.50	1.08	.5	2.50 ±0.947	
BR1 Refuse Collection	3.03	1.09	5	3.03 ±0.955		2.99	1.19	2	2.99 ±1.043		2.60	1.13	4*	2.60 ±0.991	

(Scale: 1=Strong Disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly Agree)

Kendall's W = 0.650, X² (4) = 7.796 (Not Significant)

Asterisks indicate the mean score for the item is significantly lower than the mean score of the immediately higher ranked (preceding) item *p<0.05; **p<0.01; ***p<0.001

On the other hand, taxpayers in the KSMC perceived that they have highest degree of satisfaction regarding sport and recreational facilities (BR4) compared to drainage systems (BR3) (1st and 5th respectively). The estimated means for BR4 and BR3 lie in the intervals 2.24 - 4.10 (3.57 ± 0.798) and 1.46 - 3.46 (2.46 ± 0.999) with 95% significance respectively.

Refuse collection (BR1) which is ranked second by taxpayers in KMC is ranked fourth and fifth by those in KTMC and KSMC. The beautification and maintenance of the public parks (BR5) is ranked higher (1st) by taxpayers in KMC and KTMC compared to KSMC (3rd).

Results of the t-test for significant differences in the mean scores show that, for the KMC group, the mean score for sport and recreational facilities ($M = 3.57$, ranked 2nd) is significantly lower ($p < 0.050$) than the mean score of the beautification and maintenance of the public parks ($M = 3.79$, ranked 1st). The mean score of the drainage system ($M = 3.12$, ranked 4th) is significantly lower ($p < 0.001$) than the mean score of the road maintenance and cleansing ($M = 3.55$, ranked 3rd).

For KSMC's group in the sample, the mean score of the drainage system ($M = 2.46$, ranked 5th) is significantly lower ($p < 0.001$) than the mean score of the 4th ranked item, the road maintenance and cleansing ($M = 2.88$). On the other hand, the only item that is significantly ranked lower the preceding item ranked in KTMC's group is refuse collection ($M = 2.60$, ranked 4th).

7.2.2 Perceptions about Clarity of the Assessment Tax System

7.2.2.1 Total sample

Table 7.3 shows the relative strength of agreement about the clarity of the assessment tax systems (CATS) for the total sample. It may be observed from Table 7.3 that, on the whole, respondents in this study perceived CATS1 and CATS4 to be the two items which have the highest degree of clarity in the assessment tax system. Using 95 per cent confidence limits, the estimated mean for CATS1 is within ± 0.806 of the item mean. This indicates that with 95 per cent confidence response mean for CATS1 lies between 2.42 - 4.04 on the scale of (1) strongly disagree to (5) strongly agree. The items, which have the weakest agreement about their clarity, are the base used in computing the assessment tax (CATS3). The estimated mean for CATS3 is between 1.86 - 3.64 with 95 per cent significance.

Table 7.3: Summary Statistics about Clarity of Assessment Tax System as Perceived by Taxpayers - Total Sample

Clarity of Assessment Tax Items		M	S.D	Rank	95% CI _M
CATS1	I understand clearly what is and what is not taxable under the assessment tax system	3.23	0.92	1	3.23 \pm 0.806
CATS4	I understand clearly the purpose that the assessment tax is intended to serve by the Council.	3.01	1.08	2***	3.01 \pm 0.947
CATS2	The amount of tax to be paid on each taxable property is clear	2.82	1.00	3***	2.82 \pm 0.877
CATS3	I understand clearly the base used in computing assessment tax	2.75	1.01	4	2.75 \pm 0.885

(Scale: 1=Strong Disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly Agree)

Asterisks indicate the mean score for the item is significantly lower than the mean score of the immediately higher ranked (preceding) item ***p<0.001

T-test results show that the mean score for CATS4 ($M = 3.01$, ranked 2nd) is significantly lower ($p < 0.001$) than the score of CATS1 ($M = 3.23$, ranked 1st). The mean score for the third ranked item (CATS2, $M = 2.82$) is significantly lower ($p < 0.001$) than the score of the second ranked item (CATS4).

7.2.2.2 Municipal Councils - Kuantan, Kota Setar and Kuala Trengganu

Table 7.4 presents the responses of the taxpayers' perceptions regarding the clarity of the assessment tax system of the three municipal councils in the study. From the table it can be seen that there is a similarity (Kendall's $W = 1.000$) in terms of the order of agreement of the CATS items shown by all taxpayers. All the three groups regard CATS1 as having the highest degree of clarity in the assessment tax systems. However, the 95% confidence interval, the range of the estimated means, are diverse among the groups (± 0.763 , ± 0.719 and ± 0.920 respectively for the response of those in KMC, KSMC and KTMC). The base used in computing the assessment tax (CATS3) is perceived to be of the lowest degree (4th) of clarity by all taxpayers in the sample.

The KSMC's taxpayers show the highest mean scores of the CATS1 compared to those in the KMC and KTMC, but other scores of the CATS items were lower than those in KMC and KTMC (especially CATS4 and CATS2). However, KMC's taxpayers mean scores for each items listed are higher than those are in KSMC and KTMC. This may indicate that the understanding of taxpayers in KMC towards the assessment tax system is generally better than those in KSMC and KTMC.

Table 7.4: Summary Statistics about the Clarity of Assessment Tax System as Perceived by Taxpayers

Clarity of Assessment Taxes Items	KMC <i>High Collection Performance</i> N=103				KSMC <i>Medium Collection Performance</i> N=104				KTMK <i>Low Collection Performance</i> N=98			
	M	S. D	Rank	95% CI _M	M	S. D	Rank	95% CI _M	M	S. D	Rank	95% CI _M
CATS1 I understand clearly what is and what is not taxable under the assessment taxes system	3.23	0.87	1	3.23 ±0.763	3.36	0.82	1	3.36 ±0.719	3.09	1.05	1	3.09 ±0.920
CATS4 I understand clearly the purpose that the assessment tax is intended to serve by the Council.	3.18	0.96	2	3.18 ±0.842	2.91	1.03	2***	2.91 ±0.903	2.94	1.22	2	2.94 ±1.069
CATS2 The amount of tax to be paid on each taxable property is clear	3.02	0.92	3	3.02 ±0.806	2.73	1.03	3**	2.73 ±0.903	2.76	1.03	3	2.76 ±0.903
CATS3 I understand clearly the base used in computing assessment taxes	2.97	0.97	4	2.97 ±0.850	2.68	1.03	4	2.68 ±0.903	2.53	0.99	4*	2.53 ±0.868

(Scale: 1=Strong Disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly Agree)
Kendall's W = 1.000

Asterisks indicate the mean score for the item is significantly lower than the mean score of the immediately higher ranked (preceding) item *P<0.05; **P<0.01; ***P<0.001

T-test results indicate that there is no significant difference in the mean scores between rankings in the KMC group. For KSMC group, the mean score for the strength of agreement about CAT4 ($M = 2.91$, ranked 4th) is significantly lower ($p < 0.001$) than the mean score for CATS1 ($M = 3.36$, ranked 1st). The mean score of CATS2 ($M = 2.73$, ranked 3rd) is significantly lower ($p < 0.050$) than the mean of CAT4. The only mean score that is significantly lower ($p < 0.050$) than the immediately higher ranked in the KTMC group is CATS3 ($M = 2.53$, ranked 4th).

7.2.3 Perceptions about Convenience of Payment

7.2.3.1 Total sample

Table 7.5 presents summary statistics for the strength of agreement about the convenience of payment of assessment tax methods offered by municipal councils in the study as perceived by the respondents. As can be seen from Table 7.5, the respondents in this study perceived COP3, COP5 and COP7 to be the three items which have the highest degree of convenience. The 95% confidence interval for mean which ranked 1st (COP3) is 3.45 ± 0.850 . This indicates that the estimated mean interval for COP3 lies between 2.60 and 4.30 with a 95 per cent significance level.

The items which have the weakest agreement about their convenience, are COP1 and COP4. The estimated mean interval for these items (COP1 and COP4) lie between 2.20 - 4.08 and 2.18 - 4.06 respectively with 95 per cent significance on the scale of 1 (strongly disagree) to 5 (strongly agree).

Results of the t-test indicate that the mean score for the strength of agreement about COP2 (M = 3.30, ranked 4th) is significantly lower ($p < 0.05$) than the mean score of COP7 (M = 3.41, ranked 2.5th). The mean score of COP1 (M = 3.14, ranked 6th) is significantly lower ($p < 0.050$) than the mean score of COP6 (ranked 5th).

Table 7.5: Summary Statistics about the Convenience of Payment as Perceived by Taxpayers - Total Sample

	Convenience of Payment Items	M	S. D	Rank	95% CI _M
COP3	There is adequate time to settle the payment	3.45	0.97	1	3.45 ±0.850
COP5	The opening hours of the collection point allocated by the council are convenient	3.41	0.89	2.5	3.41 ±0.780
COP7	The modes of payment offered are convenient	3.41	0.93	2.5	3.41 ±0.815
COP2	The bill is received at an appropriate time	3.30	0.99	4*	3.30 ±0.868
COP6	The methods of payment offered are convenient	3.28	1.00	5	3.28 ±0.877
COP1	The bill received contains adequate information	3.14	1.07	6*	3.14 ±0.938
COP4	The collection point allocated by the council is convenient	3.12	1.07	7	3.12 ±0.938

(Scale: 1=Strong Disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly Agree)

Asterisks indicate the mean score for the item is significantly lower than the mean score of the immediately higher ranked (preceding) item * $p < 0.05$

7.2.3.2 Municipal Councils - Kuantan, Kota Setar and Kuala Trengganu

Based on the responses given by the respondents in each municipal council in the sample, Table 7.6 show summary statistics for (including rankings) the strengths of agreement about convenience of payment as perceived by the respondents in the three municipal councils.

From Table 7.6 it is observed that there is no significant agreement (Kendall's $W = 0.5210$, $X^2(6) = 9.377$) between the rankings of the perceived presence of COP items by respondents in all the three municipal councils. Taxpayers in KSMC and KTMC perceived that there is adequate time to settle the assessment tax (COP3) (ranked 1st) compared to those in the KMC (ranked 4th). However, the 95 per cent confidence of the estimated mean intervals show that the range of the response for these items is between 2.75 - 4.31, 2.67 - 4.31 and 2.54 - 4.28 respectively for those in KSMC, KTMC and KMC on the scale of 1 (strongly disagree) to 5 (strongly agree). This is a strong degree of overlap indicating no significant difference between the means of this item among municipal councils studied. On the one hand, taxpayers in KMC perceived that the opening hours of the collection point allocated by the council are convenient (1st) compared to those in KSMC and KTMC (3rd).

The COP4 which is ranked higher (2nd) by the taxpayers in the KSMC compared to the ranks assigned by taxpayers in the KMC and KTMC (both ranked 7th). The COP1 is perceived to be of the lowest degree of convenience (7th) by the taxpayers in KSMC compared to those in KMC and KTMC (6th and 5th respectively).

Table 7.6: Summary Statistics about the Convenience of Payment as Perceived by Taxpayers

Convenience of Payment Items	KMC <i>High Collection Performance</i> N=103				KSMC <i>Medium Collection Performance</i> N=104				KIMC <i>Low Collection Performance</i> N=98			
	M	S. D	Rank	95% CI _{hi}	M	S. D	Rank	95% CI _{hi}	M	S. D	Rank	95% CI _{hi}
COP5 The opening hours of the collection point allocated by the council are convenient	3.48	0.92	1.5	3.48 ±0.806	3.35	0.87	3	3.35 ±0.763	3.41	0.88	3	3.41 ±0.771
COP7 The modes of payment offered are convenient	3.48	0.93	1.5	3.48 ±0.815	3.30	0.95	5	3.30 ±0.833	3.46	0.92	2	3.46 ±0.806
COP2 The bill is received at an appropriate time	3.43	1.01	3	3.43 ±0.885	3.32	0.99	4	3.32 ±0.868	3.14	0.95	6	3.14 ±0.833
COP3 There is adequate time to settle the payment	3.41	0.99	4	3.41 ±0.868	3.44	0.99	1	3.44 ±0.868	3.49	0.93	1	3.49 ±0.815
COP6 The methods of payment offered are convenient	3.38	0.99	5	3.38 ±0.868	3.19	0.99	6	3.19 ±0.868	3.28	1.01	4	3.28 ±0.885
COP1 The bill received contains adequate information	3.23	1.13	6	3.23 ±0.991	3.02	1.05	7	3.02 ±0.920	3.21	1.03	5	3.21 ±0.903
COP4 The collection point allocated by the council is convenient	3.13	1.03	7	3.13 ±0.903	3.36	1.01	2	3.36 ±0.885	2.87	1.12	7*	2.87 ±0.982

(Scale: 1=Strong Disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly Agree)
 Kendall's W = 0.521, X² (6) = 9.377 (Not Significant)
 Asterisks indicate the mean score for the item is significantly lower than the mean score of the immediately higher ranked (preceding) item *P<0.05

T-test results show that the mean score for COP4 in the KTMC group is a significantly lower mean score ($p < 0.05$) than the mean score of the immediately higher ranked item (COP2, ranked 6th).

7.2.4 Perceptions about Quality of Services

7.2.4.1 Total Sample

Table 7.7 shows summary statistics for the relative strength of agreement about the quality of services delivered by each municipal council in the sample as perceived by their taxpayers. In general, it may be observed from Table 7.7 that QOS3 ($M = 3.24$), QOS5 ($M = 3.13$) and QOS4 ($M = 3.07$) have the highest agreement shown by the respondents in the study. However, the estimated intervals of the means, with 95% significance level, for QOS5 (3.13 ± 0.800) and QOS4 (3.07 ± 0.896) are lower than that of QOS3 (3.24 ± 0.864). On the other hand, QOS6 and QOS7 have the weakest agreement shown by the respondents in the study ($M = 2.29$ and $M = 2.22$, respectively). Using 95 per cent confidence limits, the estimated mean interval for COP7 lies between 1.06 and 3.38 on the scale of 1 (strongly disagree) to 5 (strongly agree).

Results of the t-test indicate that the mean score for the strength of agreement about QOS3 ($M = 3.24$, ranked 1st) is significantly higher ($p < 0.05$) than the mean score for QOS3. The mean score of QOS8 ($M = 2.82$, ranked 9th) is significantly higher ($p < 0.050$) than the mean score of QOS12. The mean score for QOS7 ($M = 2.22$, ranked 13th) is significantly lower ($p < 0.010$) than the mean score of QOS6.

Table 7.7: Summary Statistics about the Quality of Service as Perceived by Taxpayers - Total Sample

Quality of Service Items		M	S. D	Rank	95% CI _M
QOS3	Facilities are provided at a place which is convenient to the public	3.24	1.08	1	3.24 ±0.864
QOS5	The availability of the services and facilities are convenient to the public	3.13	1.00	2*	3.13 ±0.800
QOS4	Facilities provided by the local authority are clean and in good order	3.07	1.12	3	3.07 ±0.896
QOS10	Local authority staff are very polite	2.98	1.14	4.5	2.98 ±0.912
QOS11	Local authority staff are very helpful	2.98	1.16	4.5	2.98 ±0.928
QOS2	I am very pleased with the appearance of local authority facilities	2.95	1.04	6	2.95 ±0.832
QOS1	We can rely on the services provided by the local authority	2.88	1.13	7	2.88 ±0.904
QOS9	Local authority staff appear knowledgeable and thorough in their work	2.83	1.20	8	2.83 ±0.960
QOS8	There is no difficulty in communication between local authority staff & the public	2.82	1.27	9	2.82 ±1.016
QOS12	The taxpayer can rely on the security and confidentiality of their affairs handled by the local authority's staff	2.63	1.35	10*	2.63 ±1.080
QOS13	Information about the services and the benefits provided by local authority are well informed to the public	2.61	1.23	11	2.61 ±0.984
QOS6	I am very happy with the local authority responses to my complaints	2.29	1.25	12	2.29 ±1.000
QOS7	Daily services provided by the local authority are according to what have been mentioned in the customer charter	2.22	1.45	13**	2.22 ±1.160

(Scale: 0=Don't Know 1=Strong Disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly Agree)

Asterisks indicate the mean score for the item is significantly lower than the mean score of the immediately higher ranked (preceding) item *p<0.05; **p<0.01

7.2.4.2 Municipal Councils - Kuantan, Kota Setar and Kuala Trengganu

Table 7.8 shows summary statistics for the strength of agreement (including rankings) about the perceived quality of services according to the taxpayers of the three municipal councils.

From Table 7.8, it is observed that there is a significant degree of concordance (Kendall's $W = 0.7819$, $X^2(12) = 28.15$, $p < 0.010$) between the rankings of the perceived presence of the QOS items by taxpayers in all the three municipal councils. The QOS4 has the highest rank assigned by the taxpayers in KMC compared to those in KSMC and KTMC (6th and 5th respectively). The range of the estimated mean for QOS4, which is ranked 1st by those in KMC, with 95% confidence limits, is 3.42 ± 0.776 (between 2.64 and 4.20 on the scale of 1 to 5). The QOS3 item received the highest degree of agreement (1st) among taxpayers in KSMC and KTMC as compared to those in KMC (2nd). The estimated interval for QOS3 mean, which, has the highest rankings from those in KSMC and KTMC, are 3.11 ± 0.880 (2.23 - 3.99) and 3.23 ± 0.928 (2.30 - 4.16) with 95 significance respectively on the scale of 1 (strongly disagree) to 5 (strongly agree). On the other hand, the taxpayers in KSMC assigned a higher rank for QOS10 (2nd) compared to its counterparts in KMC and KTMC (7th and 4th respectively).

However, all the three groups of taxpayers in the sample perceived that QOS12, QOS6 and QOS7 are the poorest quality of services delivered by the three municipal councils in the study. On the top of that, the taxpayers in KTMC also assigned the lowest rank

Table 7.8: Summary Statistics about the Quality of Service as Perceived by Taxpayers

	Quality of Service Items	KMC <i>High Collection Performance</i> N=103					KSMC <i>Medium Collection Performance</i> N=104					KTCM <i>Low Collection Performance</i> N=98				
		M	S. D	Rank	95% CI _M		M	S. D	Rank	95% CI _M		M	S. D	Rank	95% CI _M	
QOS4	Facilities provided by the local authority are clean and in good order	3.42	0.97	1	3.42 ±0.776		2.82	1.07	6	2.82 ±0.856		2.96	1.23	5	2.96 ±0.984	
QOS3	Facilities are provided at a place which is convenient to the public	3.38	0.97	2	3.38 ±0.776		3.11	1.10	1	3.11 ±0.880		3.23	1.16	1	3.23 ±0.928	
QOS5	The availability of the services and facilities are convenient to the public	3.34	0.92	3	3.34 ±0.736		2.90	0.97	3.5	2.90 ±0.776		3.15	1.06	2	3.15 ±0.848	
QOS2	I am very pleased with the appearance of local authority facilities	3.15	0.95	4*	3.15 ±0.760		2.77	0.99	8	2.77 ±0.792		2.92	1.17	6.5	2.92 ±0.936	
QOS13	Information about the services and the benefits provided by local authority are well informed to the public	3.15	1.09	5	3.15 ±0.872		2.81	0.96	7	2.81 ±0.768		1.83	1.23	13	1.83 ±0.984	
QOS1	We can rely on the services provided by the local authority	3.05	1.05	6	3.05 ±0.840		2.69	1.08	9	2.69 ±0.864		2.90	1.23	8	2.90 ±0.984	
QOS10	Local authority staff are very polite	2.96	1.14	7	2.96 ±0.912		2.96	1.07	2	2.96 ±0.856		3.03	1.20	4	3.03 ±0.960	
QOS11	Local authority staff are very helpful	2.93	1.22	8.5	2.93 ±0.976		2.90	1.06	3.5	2.90 ±0.848		3.11	1.19	3	3.11 ±0.952	
QOS9	Local authority staff appear knowledgeable & thorough in their work	2.93	1.19	8.5	2.93 ±0.952		2.65	1.19	10	2.65 ±0.952		2.92	1.22	6.5	2.92 ±0.976	
QOS8	There is no difficulty in communication between local authority staff & the public	2.89	1.40	10.5	2.89 ±1.120		2.88	1.13	5	2.88 ±0.904		2.69	1.26	9	2.69 ±1.008	
QOS12	The taxpayer can rely on the security and confidentiality of their affairs handled by the local authority's staff	2.89	1.24	10.5	2.89 ±0.992		2.61	1.16	11	2.61 ±0.928		2.37	1.57	10	2.37 ±1.256	
QOS6	I am very happy with the local authority responses to my complaints	2.66	1.25	12	2.66 ±1.000		2.53	1.11	12	2.53 ±0.888		2.27	1.38	11	2.27 ±1.104	
QOS7	Daily services provided by the local authority are according to what have been mentioned in the customer charter	2.48	1.37	13	2.48 ±1.096		2.14	1.34	13**	2.14 ±1.072		2.03	1.62	12	2.03 ±1.296	

(Scale: 0=Don't Know 1=Strong Disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly Agree)

Kendall's W = 0.782, X² (12) = 28.15, p<0.010

*p<0.05; **p<0.01

(13th) for the item QOS13 compared to taxpayers in KMC and KSMC (5th and 7th, respectively). The estimated mean interval for QOS13, the lowest rank assigned by KTMC taxpayers, is between 0.85 and 2.81 with a 95% significance level.

Results of the t-tests indicate that, in the KMC group, the mean score for the strength of agreement about the presence of QOS2 ($M = 3.15$, ranked 4th) is significantly lower ($p < 0.05$) than the mean score for QOS5 ($M = 3.34$, ranked 3rd). In the KSMC group, the mean score of QOS6 ($M = 2.53$, ranked 12th) is significantly higher ($p < 0.010$) than the mean score of QOS7 ($M = 2.14$, ranked 13th). There is no significant difference in terms of mean score between rankings in the KTMC group.

7.2.5 Summary

This section presents a descriptive analysis of the relative agreement about benefit received (BR), clarity of assessment tax system (CATS), convenience of payment (COP) and quality of services (QOS) as perceived by the assessment taxpayers of the three municipal councils under study.

The highest agreements of satisfaction with the benefits received shown by the respondents in the sample are sport and recreational facilities and beautification and maintenance public parks. Refuse collection has the lowest agreement among taxpayers in the sample. With respect to the strength of agreement about the clarity of assessment tax system, all respondents in the sample perceived that CATS1 as the highest degree of clarity among the CATS items. Whereas, CATS3 has the lowest degree of agreement by all respondents. Furthermore, the rankings of the CATS items

between groups in the sample have the highest degree of concordance (Kendall's $W = 1.000$).

The opening hours of the collection points and the modes of payment offered by the council have the highest degree of convenience as perceived by taxpayers in KMC. Taxpayers in KSMC and KTMC perceived that 'there is an adequate time to settle the assessment tax' as an item with the highest degree of convenient. Furthermore, all taxpayers in the sample perceived that the collection point allocated by the councils is not convenient.

With regard to the strength of agreement about the quality of services, it appears that the rankings of the QOS items between the groups are significantly in agreement. Taxpayers in the KMC perceived that the 'facilities provided by the council are clean and good order' and assigned the highest rank, compared to those in KSMC and KTMC. Meanwhile, taxpayers in KSMC and KTMC ranked QOS3 (facilities are provided at a place which is convenient to the public) as the first in the list. The QOS7 is regarded as having the lowest degree of quality as perceived by taxpayers in KMC and KSMC. On the other hand, taxpayers in KTMC assigned the lowest rank for QOS13.

It should be made clear that the rankings of the items in BR, CATS, COP and QOS were mainly based on their mean scores. The respondents were not asked to assign the ranking to the items themselves. The mean scores were only used as a basis for evaluating the relative strengths of the agreement about the benefit received, clarity of the assessment tax system, convenience of payment and quality of services. The next

section investigates the differences between groups' means by using one-way ANOVA procedures.

7.2.6 Test of Hypotheses related to Benefit Received, Clarity of the Assessment Tax Systems, Convenience of Payment and Quality of Service

7.2.6.1 Perceptions about Satisfaction of Benefit Received

Hypothesis One

There is no significant difference in the perceptions of taxpayers about satisfaction of benefit received between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.

Table 7.9 shows the results of one-way ANOVA for mean differences in the strength of agreement in terms of taxpayers' satisfaction about benefit received. From the table, it can be seen that the mean score for the satisfaction of benefit received for taxpayers in KMC is the highest ($M = 3.40$, $S.D. = 0.62$), while those in KTMC have the lowest among the three municipal councils ($M = 2.74$, $S.D. = 0.77$).

Table 7.9: One way ANOVA for Mean Differences about Satisfaction with Benefit Received as Perceived by Taxpayers

Source	D. F.	Sum of Squares	Mean Squares	F Ratio	F Prob.
Between Groups	2	24.6045	12.3022	21.4971	.0000*
Within Groups	302	172.8269	.5723		
Total	304	197.4313			

N=305; *p< 0.001

Group	Count	Mean	S. D.
1 KTMC - Low Collection Performance	98	2.7429	0.77
2 KSMC - Medium Collection Performance	104	2.8904	0.86
3 KMC - High Collection Performance	103	3.4058	0.62

The results of the Scheffe multiple range test in Table 7.10 indicate that the mean score for the satisfaction of benefit received of taxpayers in the KMC ($M = 3.40$, $S.D. = 0.62$) is significantly higher than the mean scores of taxpayers in KSMC and KTMC. However, there is no significant difference between the mean scores of taxpayers in KSMC and that of the KTMC.

Table 7.10: Scheffe Multiple Range Test for Mean Differences about Satisfaction with Benefit Received as Perceived by Taxpayers

Mean	Group	1	2	3
2.7429	1			
2.8904	2			
3.4058	3	*	*	

Group

1 KTMC - Low Collection Performance

2 KSMC - Medium Collection Performance

3 KMC - High Collection Performance

(*) Denotes pairs of groups significantly different at the 0.05 level

7.2.6.2 Perceptions about Clarity of Assessment Tax System

Hypothesis Three

There is no significant difference in the perceptions of taxpayers about the clarity of assessment tax system between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.

Table 7.11 shows the results of One-way ANOVA for the mean differences in the perceived clarity of assessment tax system. The results of ANOVA in Table 7.11 indicates that KMC has the highest mean score ($M = 3.10$, $S.D. = 0.73$) for the clarity of the assessment tax system compared to KSMC and KTMC ($M = 2.92$, $S.D. = 0.79$ and $M = 2.83$, $S.D. = 0.88$ respectively).

Table 7.11: One-Way ANOVA for Mean Differences about the Clarity of the Assessment Tax System as Perceived by Taxpayer

Source	D. F.	Sum of Squares	Mean Squares	F Ratio	F Prob.
Between Groups	2	3.8371	1.9186	2.9915	.0517
Within Groups	302	193.6846	.6413		
Total	304	197.5217			

Group	Count	Mean	S. D.
1 KTMC - Low Collection Performance	98	2.8316	0.88
2 KSMC - Medium Collection Performance	104	2.9207	0.79
3 KMC - High Collection Performance	103	3.1019	0.73

The Scheffe multiple range test for mean differences in the strength of agreement about the clarity of the assessment tax system between taxpayers in the three councils has shown that no two groups are significantly different at 0.050 level.

7.2.6.3 Perceptions about Convenience of Payment

Hypothesis Four

There is no significant difference in the perceptions of taxpayers about the convenience of payment between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.

Table 7.12 shows the results of one-way ANOVA for mean differences in the strength of agreement about the convenience of payment among the three groups of assessment taxpayers in the study.

Table 7.12: One-way ANOVA for Mean Differences about the Convenience of Payment as Perceived by Taxpayers

Source	D. F.	Sum of Squares	Mean Squares	F Ratio	F Prob.
Between Groups	2	.5019	.2510	.5104	.6008
Within Groups	302	148.4881	.4917		
Total	304	148.9900			

Group	Count	Mean	S. D.
1 Low Collection Performance	98	3.2668	0.66
2 Medium Collection Performance	104	3.2816	0.75
3 High Collection Performance	103	3.3592	0.68

From the table, it can be seen that the mean score of taxpayers in KMC ($M = 3.36$, $S.D. = 0.68$) is the highest. However, the Scheffe multiple range test does not indicate any significant differences between the two groups at the 0.05 level.

7.2.6.4 Perceptions about Quality of Services

Hypothesis Five

There is no significant difference in the perceptions of taxpayers about the quality of service between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.

Table 7.13 presents the results of one-way ANOVA for mean differences of the mean scores of the taxpayers' perceptions about the quality of services delivered by the three municipal councils. The mean score of taxpayers in KMC is the highest ($M = 3.02$, $S.D. = 0.66$). The lowest mean score for QOS items is from taxpayers in KTMC ($M = 2.72$, $S.D. = 0.72$).

Table 7.13: One-way ANOVA for Mean Differences about the Quality of Service as Perceived by Taxpayers

Source	D. F.	Sum of Squares	Mean Squares	F Ratio	F Prob.
Between Groups	2	5.3382	2.6691	5.2418	.0058*
Within Groups	302	153.770	.5092		
Total	304	159.1152			

N=305; *p<0.01

Group	Count	Mean	S. D.
1 KTMC - Low Collection Performance	98	2.7253	0.72
2 KSMC - Medium Collection Performance	104	2.7522	0.75
3 KMC - High Collection Performance	103	3.0179	0.66

The result of the Scheffe multiple range tests in Table 7.14 indicates that the mean score of taxpayers in KMC is significantly higher than for the mean scores of taxpayers in KTMC and that those in KSMC. However, there is no significant difference between the mean scores of taxpayers in KSMC and those in KTMC.

Table 7.14: Scheffe Multiple Range Test for Mean Differences About the Quality of Service as Perceived by Taxpayers

Mean	Group	1	2	3
2.7253	1			
2.7522	2			
3.0179	3	*	*	

Group

- 1 KTMC - Low Collection Performance
- 2 KSMC - Medium Collection Performance
- 3 KMC - High Collection Performance

(*) Denotes pairs of groups significantly different at the 0.05 level

7.2.6.5 Summary

From the results of one-way ANOVA presented in this sub-section, it appears that:

1. Hypothesis One and Five are rejected. There are significant differences in the perceptions of taxpayers about:
 - a) satisfaction with benefits received between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.
 - b) quality of services delivered between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.
2. Hypothesis Three and Four are not rejected; not enough evidence was found to reject them.
 - a) clarity of the assessment tax system between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.
 - b) convenience of payment between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.

7.3 Ability to Pay, Costs of Compliance and Financial Information

This section provides the findings obtained from descriptive analysis of the assessment taxpayers' ability to pay, compliance costs and financial information. One-way ANOVA has been used to examine the differences of mean scores of the above factors between the three municipal councils. Three more hypotheses related to the above factors were then tested.

7.3.1 Taxpayers' Ability to Pay

This part presents the findings with regard to the taxpayers' ability to pay assessment tax in the three municipal councils with different levels of collection performance. Three attributes have been identified that were expected to influence taxpayers' ability to settle their due. These are monthly gross income, number of dependents of the respondents and type of house owned. The following hypothesis was then tested.

Hypothesis Two

There is no significant difference in terms of taxpayers' ability to pay between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.

7.3.1.1 Income of Taxpayers

Table 7.15 presents the level of income for the respondents in the three municipal councils. It can be observed from Table 7.15, two-thirds (71.2%) of the respondents in this study have gross incomes below RM2,000 level per month. Less than fifteen per

cent of the respondents received incomes above RM3,000 level per month. However, the highest number of respondents earned between RM1,001 - RM2,000 per month.

Table 7.15: Distribution of Gross Income of the Respondents

Level of Income	Frequency (N=305)	%
Less than RM600	32	10.5
RM601 - RM1,000	78	25.6
RM1,001 - RM2,000	107	35.1
RM2,001 - RM3,000	44	14.4
RM3,001 - RM6,000	25	8.2
RM6,001 - RM10,000	19	6.2
Total	305	100

The following table compares the distribution of income between respondents in the three municipal councils with different levels of assessment tax collection performance. Again, it can be seen from Table 7.16 that the number of taxpayers that had incomes below RM2,000 is the highest in KMC compared to KTMC and that of KSMC (86.5%, 71.4% and 55.7% respectively). Furthermore, the lowest percentage of income received above RM3,000 per month is shown by taxpayers in KMC (7.7%) compared to KTMC (12.3%) and KSMC (23.1%).

Table 7.16: Comparison of Income Distribution between Municipal Councils Studied

	KMC <i>High Collection Performance</i> N=103		KSMC <i>Medium Collection Performance</i> N=104		KTMC <i>Low Collection Performance</i> N=98	
Level of Income	F	%	F	%	F	%
Less than RM600	12	11.7	4	3.8	16	16.3
RM601 - RM1,000	31	30.1	25	24.0	22	22.4
RM1,001 - RM2,000	46	44.7	29	27.9	32	32.7
RM2,001 - RM3,000	6	5.8	22	21.2	16	16.3
RM3,001 - RM6,000	2	1.9	19	18.3	4	4.1
RM6,001 - RM10,000	6	5.8	5	4.8	8	8.2
Total	103	100	104	100	98	100

Note: F = Frequency

On average, the gross income of the respondents in this study is RM1,990 per month. As a comparison, (Table 7.17) taxpayers in KSMC have the highest monthly incomes when compared to KTMC and KMC (RM2,358, RM1,963 and RM1,645 respectively). Based on 95 percent confidence interval of the mean for KSMC's taxpayers' incomes is RM2,357 \pm 356 compared RM1,963 \pm 339 and RM1,645 \pm 408 to those in KMC and KTMC, respectively. This indicates that KSMC's taxpayers' incomes lie between RM2,001 and RM2,714, compared to those in KMC (RM1,305 and RM1,984) and KTMC (RM1,555 and RM2,371).

Table 7.17: Taxpayers' Income

Sample	M	S.D.	95% Confidence Interval for Mean
KMC - <i>High Collection Performance</i> (N=103)	1644.66	1737.18	1644.66 \pm 408.54
KSMC - <i>Medium Collection Performance</i> (N=104)	2357.69	1832.17	2357.69 \pm 356.31
KTMC - <i>Low Collection Performance</i> (N=98)	1963.26	2037.76	1963.26 \pm 339.51

One-way ANOVA was carried out to test for monthly gross income differences between groups, i.e. KMC, KSMC and KTMC (see Table 7.3a and 7.3b in the Appendix 7.5). The results of ANOVA are significant ($F=3.7758$; $p=.02$). Post hoc tests (Scheffe multiple range test) indicate that the income of taxpayers in the medium collection performance council have a significantly higher mean score than those in the council with high collection performance. There is, however, no significant difference between councils with medium and low collection performance, and also between high and low collection.

7.3.1.2 The Number of Taxpayer Dependents

Table 7.18 shows the distribution of taxpayers' dependents between municipal councils in the sample. As an overall, taxpayers in KSMC have the lowest number of dependents compared to KTMC and KMC. The number of dependents that are less than two is the highest in KSMC (58.7%) compared to KTMC (41.8%) and KMC (37.9%). On the other hand, taxpayers in KTMC have the highest number of dependents between 5 and above compared to KMC and KSMC (13.3%, 11.6% and 6.7% respectively). Again, taxpayers in KMC and KTMC show that they have the highest number of dependents between 3 - 4 compared to KSMC.

Table 7.18: The Number of Dependents of Taxpayers

	KMC <i>High Collection Performance</i> N=103		KSMC <i>Medium Collection Performance</i> N=104		KTMC <i>Low Collection Performance</i> N=98	
Number of Dependents	F	%	F	%	F	%
Less than 2	39	37.9	61	58.7	41	41.8
3 - 4	52	50.5	36	34.6	44	44.9
5 and above	12	11.6	7	6.7	13	13.3
Total	103	100	104	100	98	100

Note: F = Frequency

One-way ANOVA was carried out to test for mean differences between the number of dependents of the three groups of taxpayers (see Table 7.3c and 7.3d in the Appendix 7.3). The ANOVA is significant ($F=5.2550$; $p=.0057$). Post hoc tests (Scheffe multiple range test) indicate that the number of dependents for taxpayers in the low collection performance council have a significantly higher number of dependents than those in the medium performance council. However, there is no significant difference in terms of number of dependents between councils with low and high collection performances, and also between high and medium collection performances.

7.3.1.3 Type of House Owned by Taxpayer

Table 7.19 tabulates the type of house owned by the respondents in the three municipal councils. The percentage of medium cost-housing is higher in all councils under study - KMC (55.3%), KSMC (51.9%) and KTMC (48.0%) - compared to other types of housing. With regard to low cost-housing, taxpayers in KTMC show the highest percentage (41.8%) compared to those in KMC (34.9%) and KSMC (22.1%). However, KSMC's taxpayers owned about 21% of high-cost housing compared to 9.2% and 4.9% by taxpayers in KTMC and KMC respectively.

Table 7.19: The Type of House Owned by Taxpayers

	KMC <i>High Collection Performance</i> N=103		KSMC <i>Medium Collection Performance</i> N=104		KTMC <i>Low Collection Performance</i> N=98	
Type of House	F	%	F	%	F	%
Low Cost-housing	36	34.9	23	22.1	41	41.8
Medium Cost-housing	57	55.3	54	51.9	47	48.0
High Cost-housing	5	4.9	22	21.2	9	9.2
Shop-house	5	4.9	5	4.8	1	1.0
Total	103	100	104	100	98	100

Note: F = Frequency

In order to find whether there is a significant difference in terms of mean scores of type of houses owned between groups, one-way ANOVA was carried out (see Table 7.3e and 7.3f in the Appendix 7.3). The results of ANOVA indicated that there are significant differences ($F=7.7073$; $p=.0005$) between the groups in terms of the type of house owned. Post hoc tests (Scheffe multiple range test) indicate that the KSMC's taxpayers scored higher ($M = 2.09$; $S.D. = 0.79$) on type of house owned than the taxpayers in KMC ($M = 1.80$; $S.D. = 0.76$) and KTMC ($M = 1.69$; $S.D. = 0.68$), and that the scores of the taxpayers in KMC and KTMC are not significantly different.

7.3.1.4 Summary

From the above findings, the majority of respondents in the sample earned an income between RM1,000-RM2,000 per month. About 86.5 per cent of the KMC's taxpayers have a gross income below RM2,000 compared to those in KSMC and KTMC. On average, taxpayers in KSMC have the highest monthly income (RM2,358) compared to those in KTMC (RM1,963) and KMC (RM1,645). However, this comparison seen to be unfair if the number of dependents is not taken into account. On average, taxpayers in KTMC have the highest number of dependents compared to KSMC and KMC. With regard to the type of house owned, taxpayers in KTMC show the highest percentage of low cost-housing compared to KSMC and KMC.

Based on the ANOVA results, it appears that there is a significant difference in terms of income received, number of dependents and type of house owned between the groups of taxpayers. This indicates that the ability of taxpayers in the municipal councils of Kuantan, Kota Setar and Kuala Trengganu is significantly different. The following hypothesis is thus rejected.

There is no significant difference in terms of taxpayers' ability to pay between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.

7.3.2 Compliance costs

This part provides the findings on taxpayers' compliance costs in dealing with their assessment tax in the three municipal councils. The following hypothesis was then tested.

Hypothesis Six

There is no significant difference in terms of compliance costs between taxpayers in the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.

Table 7.20 shows the percentage response of the respondents to the questions related to costs of compliance. As shown in Table 7.20, less than fifty per cent of the respondents in the sample keep books and records for the purpose of paying assessment tax. Out of 305 of the respondents, only 16 (5.2%) required expert advice in the process of settling their assessment tax. However, 64.6% of the respondents revealed that they have also incurred other expenses (miscellaneous) in the process of paying assessment tax.

Table 7.20: Percentage Response of the Taxpayers towards Cost of Compliance - Total sample (N=305)

Items	Yes	No
Do you keep any books or record for the purpose of paying assessment tax	44.6 (N=136)	55.4 (N=169)
Do you need expert advice to settle your assessment tax	5.2 N=16	94.8 N=289
Do you also incur other miscellaneous expenses in the process of paying assessment tax	64.6 (N=197)	35.4 (N=108)

As a comparison, Table 7.21 provides the percentage response of the taxpayers to the questionnaires between the three municipal councils. Taxpayers in KMC are more concerned about keeping their books and records of assessment tax compared to KSMC and KTMC (53.4%, 50% and 29.6% respectively). They also show a higher percentage of hiring expert advice (9.7%) compared to KTMC (6.1%) and KSMC (0%). Apart from these, taxpayers in KMC also revealed a higher percentage of miscellaneous expenses than those in KSMC and KTMC.

Table 7.21: Percentage Response of the Taxpayers towards Cost of Compliance

Items	KMC <i>High Collection Performance</i> N=103		KSMC <i>Medium Collection Performance</i> N=104		KTMC <i>Low Collection Performance</i> N=98	
	Yes	No	Yes	No	Yes	No
Do you keep any books or record for the purpose of paying assessment tax	53.4 (N=55)	46.6 (N=48)	50 (N=52)	50 (N=52)	29.6 (N=29)	70.4 (N=69)
Do you need expert advice to settle your assessment tax	9.7 (N=10)	90.3 (N=93)	0 (N=0)	100 (N=104)	6.1 (N=6)	93.9 (N=92)
Do you also incur other miscellaneous expenses in the process of paying assessment tax	68.9 (N=71)	31.1 (N=32)	66.3 (N=69)	33.7 (N=35)	58.2 (N=57)	41.8 (N=41)

The respondents were further required to state the amount of time spent per year for keeping books and records. Table 7.22 shows the responses of the taxpayers in the three municipal councils. As a whole, 92 per cent of taxpayers said they take less than five hours per year. Table 7.22 also reveals that 98 per cent of taxpayers in KSMC spent less than five hours per year keeping their books and records compared to those in KTMC and KMC (93.1% and 85.5% respectively). Fourteen per cent of the KMC's taxpayers spent between 5 - 10 hours per year compared to KSMC (1.9%) and KTMC (6.95%).

Table 7.22: Percentage Response of the Taxpayers towards Book and Record Keeping

	Less than 5 hrs	5 - 10 hrs
Total Sample	91.9 (N=125)	8.1 (N=11)
KMC - <i>High Collection Performance</i>	85.5 (N=47)	14.5 (N=8)
KSMC - <i>Medium Collection Performance</i>	98.1 (N=51)	1.9 (N=1)
KTMC - <i>Low Collection Performance</i>	93.1 (N=27)	6.9 (N=2)

Table 7.23 shows the total amount of money spent by those who hired an expert to settle their assessment tax. Thirteen of them said that they spend less than RM50 per year. A small number of taxpayers spend between RM50 - RM150 (two in KMC and one in KTMC).

Table 7.23: Expert Costs Incurred by Taxpayers

	Less than RM50	RM50 - RM150
Total Sample	81.3 (N=13)	18.7 (N=3)
KMC - <i>High Collection Performance</i>	80 (N=8)	20 (N=2)
KSMC - <i>Medium Collection Performance</i>	0 (N=0)	0 (N=0)
KTMC - <i>Low Collection Performance</i>	83.3 (N=5)	16.7 (N=1)

As 64.6 per cent of the taxpayers in the sample said they incurred other expenses (miscellaneous), they were further asked to state the total amount of money they spent per year. As a whole, 77.2 per cent of the taxpayers said they spend less than RM25 per year. As a comparison, 78.9 per cent of the taxpayers in KTMC spend less than RM25 compared to those in KSMC and KMC (76.8% and 76.1% respectively).

About 22 percent of taxpayers in KSMC said they spend between RM25 - RM50 compared to those in KMC (15.5%) and KTMC (12.3%).

Table 7.24: Miscellaneous Expenses Incurred by Taxpayers

	Less than RM25	RM25 - RM50	RM50 - RM200
Total Sample	77.2 (N=152)	16.7 (N=33)	6.1 (N=12)
KMC - <i>High Collection Performance</i>	76.1 (N=54)	15.5 (N=11)	8.4 (N=6)
KSMC - <i>Medium Performance</i>	76.8 (N=53)	21.7 (N=15)	1.5 (N=1)
KTMC - <i>Low Performance</i>	78.9 (N=45)	12.3 (N=7)	8.8 (N=5)

The respondents in this study were also asked to state that how often they have to visit their council office in the process of settling their assessment tax per year. Overall, 64.3% (Table 7.25) of the respondents said they visit the councils between 1-2 times a year. This may indicate that they only visit the councils when the tax is due to be paid, i.e. February and August.

Table 7.25: Visit to Assessment Tax Office by Taxpayers

	Not at all	1-2 times	3-4 times	5-6 times
Total Sample	16.4 (N=50)	64.3 (N=196)	16.7 (N=51)	2.6 (N=8)
KMC - <i>High Collection Performance</i>	9.7 (N=10)	69.9 (N=72)	18.5 (N=19)	1.9 (N=2)
KSMC - <i>Medium Collection Performance</i>	14.4 (N=15)	59.6 (N=62)	21.2 (N=22)	4.8 (N=5)
KTMC - <i>Low Collection Performance</i>	25.5 (N=25)	63.3 (N=62)	10.2 (N=10)	1.0 (N=1)

However, 25.5 per cent of the taxpayers in KTMC have not visited their council at all compared to those in KSMC and KMC (14.4% and 9.7% respectively). Twenty-one per cent of the taxpayers in KSMC said they visit their council 3-4 times a year. This

is the highest percentage, compared to KMC and KTMC (18.5% and 10.2% respectively).

To test for differences of compliance cost between the three groups on the above variables, the class midpoints of the variable bands were then computed. These midpoint classes were used as dependent variables in a one-way ANOVA with three levels of collection performance (i.e. High, Medium and Low). The ANOVA results are shown in Table 7.26 and Appendix 7.6.

All variables (except miscellaneous expenses) in this construct showed a significant result. The ANOVA results for record and book keeping is significant at 0.01 level. The Scheffe multiple range tests indicate that the time spent on record and book keeping by taxpayers in KMC is significantly higher than those in KTMC. However, there is no significant difference in the time spent between those in KMC and KSMC, and also between KSMC and KTMC are not significantly different.

Table 7.26: Results of One-way ANOVA of Compliance Cost between the Municipal Councils Studied

Variables	Group 1 Mean	Group 2 Mean	Group 3 Mean	F Ratio	F Prob.
Time taken for record and book keeping	.84	1.30	1.72	6.9366	.0011**
Cost of expert advice	2.30	.0000	3.88	3.3054	.0380*
Miscellaneous expenses	14.80	12.98	17.84	1.0121	.3647
Times visit to assessment tax office	1.36	1.90	1.80	5.9193	.0030**

**p<0.01; *p<0.05

Group

- 1 KTMC - Low Collection Performance
- 2 KSMC - Medium Collection Performance
- 3 KMC - High Collection Performance

The results also indicate that there is a significant difference ($F=3.3054$; $p=.0380$) in expert costs incurred between the groups of taxpayers. The Scheffe multiple test indicates that the mean score of taxpayers in KMC is significantly different from the mean of KSMC. No significant difference between the mean scores of KMC and KTMC was observed.

Although the mean score of miscellaneous expenses is higher in KMC compared to KSMC and KTMC, the ANOVA results show that there is no significant difference between the groups.

Table 7.26 also indicates that the mean score of the frequent visits by taxpayers to council office is significantly higher in KSMC and KMC compared to KTMC. Post hoc tests (i.e. Scheffe multiple range test) indicate that the taxpayers in KSMC and KMC scored higher in this variable than the taxpayers in KTMC, and that the scores of the taxpayers in KSMC and KMC are not significantly different.

Summary

The findings of this part revealed that less than fifty per cent of the respondents in the sample keep books and records for the purpose of paying assessment tax. Only 5.2 per cent of the respondents needed expert advice compared to 64.6 per cent incurring other expenses in the process of settling their assessment tax. Among the groups, taxpayers in KMC show that there is a high percentage using expert advice, other expenses incurred and they also put more time into taking care of assessment tax books and records. On average, time taken for record and bookkeeping for all groups was less

than five hours per year. Furthermore they also spent, on average, less than RM50 per year on hiring an expert. With regard to visiting to council offices, more than two-thirds of the respondents said between 1-2 times per year. This explains how the majority of respondents incurred less miscellaneous expenses, i.e. less than RM25 per year.

From the results of ANOVA shown in Table 7.26, it appears that there is a significant difference in the compliance costs of the taxpayers between groups. Therefore the following hypothesis is rejected.

There is no significant difference in terms of compliance costs between taxpayers in the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.

The overall results show that the taxpayers in KMC (i.e. high collection performance council) scored the highest means among the groups in the sample. This result may indicate high compliance costs in the high tax compliant council compared to those with less compliance. However, this does not mean that assessment tax compliance costs are higher than other tax systems. This study is only concerned about the comparison of compliance costs between municipal councils with high, medium and low taxpayer compliance.

7.3.3 Financial Information

This part presents the findings of the taxpayers perceptions about the presence of the financial information in the three municipal councils. A number of questions were posed to the respondents to capture their feelings about the presence of financial information. These include questions such as the accessibility of the information, type of information, and whether they are more willing to pay the tax if the financial information was accessible. The following hypothesis was then tested.

Hypothesis Seven

There is no significant difference in the perceptions of taxpayers' about the presence of financial information between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.

Although the Local Government Act 1976 provides that the audited accounts together with the auditor's observations shall be published in the government gazette (Section 60(4)), this study found that no taxpayers in the sample have the opportunity to access the required information.

Table 7.27 shows the percentage in the sample who responded to the question as to whether the annual reports and accounts of their local authority should be made available or disclosed to the public. Overall, eighty-eight per cent of the taxpayers in the sample want this information to be disclosed. The percentage of 'Yes' is the highest in municipal council with the lowest collection performance (96.9%)(KTMC) compared to high and medium collection performance councils (85.4% and 82.7% respectively). This demonstrates that taxpayers in a municipal council with a low

collection performance (i.e. KTMC) are almost unanimous in their desire to know more about their council's financial affairs.

Table 7.27: Summary of Responses to 'Do you want local government annual report and accounts to be made available or disclosed to the public?'

	N	Yes	No
Total Sample	305	88.2% (N=269)	11.8% (N=36)
KMC - High Collection Performance	103	85.4% (N=88)	14.6% (N=15)
KSMC - Medium Collection Performance	104	82.7% (N=86)	17.3% (N=18)
KTMC - Low Collection Performance	98	96.9% (N=95)	3.1% (N=3)

Respondents were then asked that if they had an opportunity to read the annual reports and accounts, which section of the reports would they prefer to read. Table 7.28 shows the percentage response of these respondents. All the three groups of taxpayers in the sample indicated that they are more interested in the council's income and expenditure accounts as compared to other sections of the reports. The highest percentage of responses is shown by the taxpayers in KMC (98.9%) followed by KTMC (96.85) and KSMC (94.2%). Fifty-nine per cent of the taxpayers in KTMC also said they would like to read the council's cash flow statement compared to 48% and 42% of the taxpayers in KSMC and KMC respectively.

Table 7.28: Summary of Responses to ‘What section of the annual reports and accounts would you like to read?’

	KMC <i>High Collection Performance</i> N=88		KSMC <i>Medium Collection Performance</i> N=86		KTMC <i>Low Collection Performance</i> N=95	
	Yes	No	Yes	No	Yes	No
Finance Director Report	43.2 (N=38)	56.8 (N=50)	54.7 (N=47)	45.3 (N=39)	33.7 (N=32)	66.3 (N=63)
Statement of Revenue and Expenditure	98.9 (N=87)	1.1 (N=1)	94.2 (N=81)	5.8 (N=5)	96.8 (N=92)	3.2 (N=3)
Balance Sheet	42.0 (N=37)	58.0 (N=51)	40.7 (N=35)	59.3 (N=51)	47.4 (N=45)	52.6 (N=50)
Notes to the Accounts	18.2 (N=16)	81.8 (N=72)	29.1 (N=25)	70.9 (N=61)	31.6 (N=30)	68.4 (N=65)
Cash Flow Statement	42.0 (N=37)	58.0 (N=51)	47.7 (N=41)	52.3 (N=45)	58.9 (N=56)	41.1 (N=39)

Table 7.29 reports the response of the respondents to the question as to whether or not they are more willing to pay assessment tax if they have the opportunity to study the reports. Ninety-two per cent of the respondents said ‘Yes’ that they would be willing to pay more quickly or pay at all if they were provided with such an opportunity. The highest positive response was shown by taxpayers in KMC (94.3%) followed by those in KTMC (93.7%). Eighty-eight per cent of the taxpayers in KSMC expressed similar sentiments regarding their intention toward payment of the local tax. This percentage is slightly lower than those in KMC and KTMC.

Table 7.29: Summary of Responses to 'If you have an opportunity to read the report, would you be more willing to pay the assessment tax?'

	Yes 92.2 % (N=249)	No 7.8% (N=21)
Total Sample		
KMC - High Collection Performance (N=88)	94.3% (N=83)	5.7% (N=5)
KSMC - Medium Collection Performance (N=86)	88.4% (N=76)	11.6% (N=10)
KTMC - Low Collection Performance (N=95)	93.7% (N=89)	6.3% (N=6)

The overall ANOVA is presented in Table 7.30 and also Appendix 7.7. All the variables in the construct (excluding the finance director report) showed significant results. They are either significant at 0.01 or 0.001 levels.

Table 7.30: Summary of ANOVA's Results of Local Taxpayers Willingness to Read Annual Reports and Accounts and Pay Local Tax between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.

Variables	Group 1 Mean	Group 2 Mean	Group 3 Mean	F Ratio	F Prob.
Annual Report and Accounts to be disclosed to the public	.85	.83	.97	5.6363	.0040**
Annual Reports and Account					
Finance Director Report	1.22	1.28	1.30	.3368	.7143
Statement of Income and Expenditure	1.70	1.61	1.91	5.7318	.0036**
Balance Sheet	1.21	1.16	1.43	4.6966	.0098**
Notes to the Accounts	1.01	1.07	1.28	5.9486	.0029**
Cash Flow Statement	1.21	1.22	1.54	7.9893	.0004***
More willing to pay if read annual reports and accounts	1.66	1.56	1.88	6.1547	.0024**

p<0.01; *p<0.001

Group

- 1 KMC - High Performance
- 2 KSMC - Medium Performance
- 3 KTMC - Low Performance

The ANOVA indicates that the mean score that annual reports and accounts must be disclosed to the public is significantly higher ($F=5.6363$; $p=.004$) in the KTMC than those in KSMC and KMC, and that the scores of those in KMC and KSMC are not significantly different.

The results of ANOVA (Table 7.30) also reveal that the mean scores of four out of five sections in the annual reports and accounts between respondents groups are significantly different. The ANOVA for income and expenditure statements is significant at the 0.01 level ($F=5.7318$; $p=.0036$). The Scheffe multiple tests indicate that the KTMC's taxpayers scored higher on in this section than those in KSMC, and that there is no significant different between the mean scores of those in KMC and KTMC. In addition, Scheffe multiple range tests also show that taxpayers in KTMC scored higher on these sections: balance sheet, notes to the accounts and cash flow statement, than those in KSMC and KMC.

Taxpayers in KTMC have indicated they are more willing to pay their assessment tax if they have an opportunity to read the annual reports and accounts compared to those in KMC and KSMC ($F=6.1547$; $p=.0024$). The Scheffe multiple tests indicate that KTMC's taxpayers scored higher on this item of the test than those in KSMC, and that no significant difference existed between mean scores of those in KMC and KTMC.

Summary

The findings show that taxpayers in the three municipal councils are appreciative where the councils disclose relevant financial information as an explanation of the disbursement of taxpayer money. Eighty-eight per cent of the respondents desire councils to disclose more and better financial information. Specifically, more than 90 per cent of the respondents wished to see the statement of the council's income and expenditure. They also indicate that they (i.e. 92.2% of the respondents) are more willing to pay (or pay more quickly) their local taxes if such information is to be made available.

The results of ANOVA indicate that there is a significant difference in terms of taxpayers' perceptions about the presence of financial information between municipal councils of Kuantan, Kota Setar and Kuala Trengganu. This, therefore, supports rejecting the following hypothesis:

There is no significant difference in the perceptions of taxpayers about the presence of financial information between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.

The overall results show that taxpayers in KTMC (i.e. low collection performance council) were the most vociferous in their demands for this extra financial accounting information. This result indicates that the presence of relevant financial information has the potential to significantly improve the level of assessment tax collection.

7.4 Summary and Conclusions

This chapter presented a descriptive analysis and results of the hypotheses testing developed in chapter three pertaining to taxpayer compliance behaviour.

An important factor that is characteristics of the respondents who participated in the study was also considered. A total of 305 questionnaires were used in the analysis. A descriptive analysis of the degree of agreement among taxpayers about benefit received, clarity of the assessment tax system, convenience of payment and quality of services was conducted using two statistical procedures. The first procedure, Kendall's W, was used to access the degree of concordance between the rankings assigned by three groups of taxpayers to the above factors. Results from the analysis indicate that the rankings assigned by taxpayers to the items of clarity of assessment tax system and quality of services are significantly similar across groups. Rankings, however, assigned by taxpayers to items of benefit received and convenience of payment are significantly different across groups in the sample.

The second procedure that is used for data analysis was the paired t-test. The use of this procedure was for investigating significant differences between the mean scores of the items within a group. Results obtained from the data analysis in this chapter indicate that, in general, taxpayers in the sample perceived that sport and recreational facilities is the item with the highest degree of satisfaction of benefit received. Drainage systems have the lowest degree of satisfaction as perceived by taxpayers. The type of taxable property in the assessment tax system has the highest degree of clarity compared to the way of computing assessment tax as perceived by taxpayers in

the sample. The most convenient way in paying assessment tax as perceived by the respondents is the timing of settling payment. On the other hand, the location of the collection points is the lowest degree of convenience as perceived by taxpayers. With respect to quality of services, highest ranking was assigned by taxpayers to QOS3 (Facilities are provided at a place which is convenient to the public). However, daily services provided by the local authority as perceived by taxpayers in the sample are not according to what has been mentioned in the customer charter.

One-way ANOVA was used in testing the hypotheses. This procedure was used to test for statistical differences in group means. Four hypotheses related to taxpayers perceptions about benefit received, clarity of assessment tax system, convenience of payment and quality of services were tested. Overall, results obtained from the test indicate that taxpayers in the council with a high collection performance (KMC) felt that their council is able to meet their expectations with regard to the benefit received, clarity of assessment tax system, convenience of payment and quality of services compared to those in the council with low and medium collection performance (i.e. KTMC and KSMC respectively).

Results from ANOVA provided some insights into the differences in the perceptions of taxpayers in the sample about benefit received, clarity of the assessment tax system, convenience of payment and quality of services among the three municipal councils with different levels of assessment tax collection performance in Malaysia. These are summarised below:

Table 7.31: Summary of ANOVA for Mean Differences in the Perceptions of Taxpayers about Benefit Received, Clarity of Assessment Tax System, Convenience of Payment and Quality of Service

	KMC <i>High Collection Performance</i>	KSMC <i>Medium Collection Performance</i>	KTMC <i>Low Collection Performance</i>	Significant level
Benefit Received	M = 3.41** S.D.= 0.62	M = 2.89 S.D.= 0.86	M = 2.74 S.D.= 0.77	p<0.001
Clarity of Assessment Tax System	M = 3.10* S.D.= 0.73	M = 2.92 SD= 0.79	M = 2.83 S.D.= 0.88	p<0.10
Convenience of Payment	M = 3.36 S.D.= 0.68	M = 3.28 S.D.= 0.75	M = 3.27 S.D.= 0.66	Not Significant
Quality of Service	M = 3.02** S.D.= 0.66	M = 2.75 S.D.= 1.75	M = 2.72 S.D.= 0.72	p<0.010

*significantly higher than KTMC

** significantly higher than KTMC and KSMC

The third part of the chapter presented the results of hypotheses testing pertaining to taxpayers' ability to pay, compliance costs and financial information disclosure. Again, ANOVA procedures were used to examine whether there were significant differences between the group means among taxpayers in the three municipal councils under study. Three variables, i.e. income, number of taxpayer's dependents and type of house owned, that were considered related to the taxpayers' ability to pay were examined. Summary of ANOVA results is shown in Table 7.32.

Table 7.32: Summary of ANOVA for Mean Differences of Taxpayers Ability to Pay between the three Municipal Councils

	KMC <i>High Collection Performance</i>	KSMC <i>Medium Collection Performance</i>	KTMC <i>Low Collection Performance</i>	Significant level
Income (Ringgit Malaysia - RM)	M = 1644.66 S.D.= 1737.17	M = 2357.69* S.D.= 2037.76	M = 1963.26 S.D.= 1832.17	p<0.050
Number of Dependents	M = 2.29 S.D.= 1.46	M = 1.86 S.D.= 1.30	M = 2.51** S.D.= 1.57	p<0.10
Type of House Owned (Cost)	M = 1.80 S.D.= 0.74	M = 2.09*** S.D.= 0.79	M = 1.69 S.D.= 0.68	p<0.001

*significantly higher than KMC

** significantly higher than KSMC

***significantly higher than KTMC and KMC

The results revealed that taxpayers in the medium collection performance council under study have significantly more ability to pay assessment tax compared to those in the high and low collection performances.

With respect to compliance cost, taxpayers in the high collection performance of the sample have significantly higher costs of compliance (excluding miscellaneous expenses) compared to those in medium and low collection performances. However, taxpayers in low collection performances visit their council tax office significantly less per year compared to those in high and medium performance. Table 7.33 presents the summary of the ANOVA results.

Table 7.33: Summary of ANOVA for Mean Differences of Taxpayers' Costs of Compliance between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.

	KMC <i>High Collection Performance</i>	KSMC <i>Medium Collection Performance</i>	KTMC <i>Low Collection Performance</i>	Significant level
Hours taken for record keeping	M = 1.72* S.D.= 2.07	M = 1.30 S.D.= 1.39	M = 0.84 S.D.= 1.48	p<0.010
Expert Costs	M = 3.88** S.D.= 15.16	M = 0.00 S.D.= 0.00	M = 2.30 S.D.= 11.40	p<0.050
Miscellaneous Expenses	M = 17.84 S.D.= 28.85	M = 12.98 S.D.= 16.33	M = 14.80 S.D.= 27.53	Not Significant
Visit to Council Office	M = 1.80*** S.D.= 1.09	M = 1.90*** S.D.= 1.34	M = 1.36 S.D.= 1.07	p<0.01

* significantly higher than KTMC

** significantly higher than KSMC

*** both are significantly higher than KTMC

Interestingly, ANOVA results show that the taxpayer perceptions about the presence of financial information significantly influence their behaviour towards paying assessment tax in the three municipal councils under study. Table 7.34 provides a summary of ANOVA regarding taxpayers perception about financial information or annual reports and accounts.

Taxpayers in the low tax collection performance council show that they are significantly more willing to pay assessment tax if the council discloses relevant financial information compared to those in high and medium collection performances. This indicates that low collection of assessment tax can be improved by providing the relevant information to the public. As far this study is concerned, there was no information disclosed to taxpayers regarding the way councils managed their financial affairs.

Table 7.34: Summary of ANOVA for Mean Differences of taxpayers' perceptions about the presence of financial information

Variables	KMC <i>High Collection Performance</i>	KSMC <i>Medium Collection Performance</i>	KTMC <i>Low Collection Performance</i>	Significant level
Annual Report and Accounts must be accessible by the public	M = 0.85 S.D.= 0.35	M = 0.83 S.D.= 0.38	M = 0.97* S.D.= 0.17	p<0.01
More willing to pay if annual reports and accounts accessible	M = 1.66 S.D.= 0.72	M = 1.56 S.D.= 0.77	M = 1.88** S.D.= 0.41	p<0.01

*significantly higher than KSMC and KMC

** significantly higher than KSMC but not KMC

The implications and analysis of the research findings pertaining to taxpayer compliance behaviour will be further discussed in the following chapter - Chapter 8.

Chapter 8

SUMMARY, DISCUSSION AND RECOMMENDATIONS

8.0 Introduction

This chapter summarises results obtained from the trend and statistical analyses described in chapters six and seven. Implications of the findings are also discussed. Furthermore, recommendations for further research as well as implications for management are provided and examined.

The chapter is divided into five sections. The first section provides the summary of findings obtained from the study. The second section discusses the findings in relation to previous studies.

Theoretical and practical implications of this work are discussed in section three. Section four is concerned with limitations and recommendations for future work. The final conclusions of the study are given in section five.

8.1 Summary of findings

The following presents a summary of findings obtained from the study. Firstly, an outline of the results pertaining to the assessment tax administrative system is presented. This is then followed by the results which concern tax compliance behaviour.

8.1.1 Tax Administrative System

The efficiency and productivity of local tax administration systems have been studied in the light of the established hypotheses in Chapter 4. A summary of the results is presented here according to the stated hypotheses.

8.1.1.1 Efficiency of the Tax Administrative System

The comparative analysis was undertaken over nine years (1988-1996). Although efforts were made to acquire data for a ten-year period, all three municipal councils could provide reliable data up to nine years only. Efficiency ratios were computed for each of the municipal councils studied. Figure 6.3 in chapter six shows the comparative ratios. As discussed in chapter six, based on the cost-revenue ratio analysis and other related ratio analysis, Kuantan Municipal Council's tax administration system was most efficient when compared to the municipal council of Kota Setar and Kuala Trengganu. The analysis also revealed that Kota Setar Municipal Council's assessment tax administration appears to be more efficient than Kuala Trengganu.

Therefore, it can be concluded that the administration of assessment tax in the council with high collection performance is more efficient when compared to the councils with medium and low collection performances.

8.1.1.2 Productivity of the Assessment Tax Administrative System (Hypothesis Two)

Figures 6.6 and 6.7 in Chapter Six compared the productivity ratios of the three municipal councils studied for the period of 1988-1996. The trend analysis shows (Figures 6.6 and 6.7) that Kuantan Municipal Council's assessment tax administration system is more productive than Kota Setar and Kuala Trengganu municipal councils. The Kota Setar's assessment tax administration system, on the other, is less productive compared to the council with low collection performance - Kuala Trengganu.

8.1.1.3 Assessment Tax Collection System

This part summarises the results of testing hypotheses Three, Four and Five.

8.1.1.3.1 Billing and Collection (Hypothesis Three)

Tables 6.4 and 6.5 in Chapter Six compared the billing and collection of the assessment tax as practised by the three municipal councils' studied. Due to the small number of municipal councils (i.e. three municipal councils - Kuantan, Kota Setar and Kuala Trengganu) considered, no weights are given to the items used in the comparison between municipal councils. Based on the comparative analysis between

the three municipal councils, no major difference in terms of billing and collection procedures for the assessment tax can be found between the councils.

8.1.1.3.2 **Managing Assessment Taxpayer Accounts (Hypothesis Four)**

Table 6.6 of Chapter Six compared the strategies taken by the three municipal councils in managing their assessment taxpayer accounts for eight years. The three councils give no incentive to their taxpayers for early payment. Although all the councils imposed penalties for late payment, Kuala Trengganu, when compared to Kuantan and Kota Setar, took no firm action against non-compliance of assessment tax.

Figures 6.8 and 6.9 compared municipal councils' commitment in collecting their assessment tax revenue. Section 148 of the Local Government Act 1976 prescribed the use of *E-Forms* as an instrument for combating delinquent taxpayers. As discussed in chapter 6, based on the *E-Form*-assessment tax bill ratio analysis, Kuantan Municipal Council is more committed to collecting assessment tax compared to Kota Setar and Kuala Trengganu. This indicates that there is a significant difference in collecting uncollected assessment tax revenue between Kuantan, with a high collection performance, compared to Kota Setar and Kuala Trengganu with medium and low collections, respectively, of assessment tax revenue.

8.1.1.3.3 The Use of Information Technology (Hypothesis Five)

Table 6.7 in Chapter Six compared the use of computers between the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu for the period of 1995/96. Although an attempt was made to acquire data for at least a five-year period, none of the municipal councils could provide information on the number of computers used for their assessment tax functions before the 1995/96 period. The staff-computer ratio was computed for each of the municipal councils. Kuantan's ratio is higher than Kota Setar and Kuala Trengganu. Further analysis was carried out (Table 6.8) by computing the staff-computer ratio for each function in the assessment tax departments or sections (as well as other related sections or departments) of the three municipal councils. Computer usage, based on the staff-computer ratio analysis, in the Kuantan Municipal Council is higher than that in Kota Setar and Kuala Trengganu in all sections or functions of the assessment tax administration. Table 6.8 also revealed that the percentage of staff not using computers in Kuantan is lower than those in Kota Setar and Kuala Trengganu.

The level of computerisation of the tax administration system in Kuantan Municipal Council was shown to be one step ahead when compared to those in Kota Setar and Kuala Trengganu. Kuantan Municipal Council adopted on-line systems in all sections or units of its assessment tax administration. The computerisation system in Kota Setar and Kuala Trengganu, on the hand, is based on the individual sections or functions of their assessment tax administrative system.

It can be seen, therefore, that the usage of computers in Kuantan Municipal Council with high collection performance is higher than that either in Kota Setar or Kuala Trengganu, which experiences medium and low, respectively, assessment tax collection performances.

8.1.1.4 Organisational Commitment and High-commitment Work System

This part summarises results of testing hypotheses Six and Seven.

8.1.1.4.1 Organisational Commitment (OC) (Hypothesis Six)

Descriptive analysis of the strength of the agreement about organisational commitment revealed no significant agreement between the rankings of staff perceptions about organisational commitment items in all of the three municipal councils. Table 8.1 summarises the three highest mean scores of the Organisational Commitment Items (OCI) as perceived by the staff of municipal councils of Kuantan, Kota Setar and Kuala Trengganu.

Table 8.1: The Top Three Highest Mean Scores of the Organisational Commitment Items as Perceived by Taxpayers in the Municipal Councils Studied

Rank	KMC - <i>High Collection Performance</i>	KSMC <i>Medium Collection Performance</i>	KTMC <i>Low Collection performance</i>
1 st	OC12 (M = 4.25)	OC12 (M = 4.02)	OC3 (M = 3.97)
2 nd	OC4 (M = 4.22)	OC8 (M = 3.99)	OC8 (M = 3.87)
3 rd	OC1 (M = 4.15)	OC4 (M = 3.94)	OC4 (M = 3.43)

The KMC and KTMC's staff ranked 1st for OC12 compared to lower rank (8th) assigned by those in KTMC. The OC8 has higher rank assigned by the staff in KSMC and KTMC than that those of KMC (ranked 7th). However, the KMC's staff ranked OC4 in the second position compared to staff in KSMC and KTMC who ranked it in the third place.

In all, the ANOVA results show that the mean score of the Organisational Commitment Items for staff in KMC is the highest and it is significantly different from the mean score of those in KTMC and KSMC. The mean score for staff in KSMC is significantly higher than that of KTMC. Based on the sample studied, therefore, it can be said that the organisational commitment of the staff in a municipal council with a high collection performance is higher than for those staff in medium and low collection performance councils in the study.

8.1.1.4.2 High-commitment Work System (HCWS) (Hypothesis Seven)

Table 6.15 in chapter Six shows that there is a strong agreement (Kendall's $W = 0.635$, $X^2 (12) = 24.78$, $p < 0.025$) between the rankings of the perceived presence of the HCWS items among staff working in all the three municipal councils. Table 8.2 summarises the top three of the HCWS items as perceived by taxpayers in the three municipal councils in the sample.

Table 8.2: The Top Three Highest Mean Scores of the High-commitment Work System Items as Perceived by Taxpayers in the Municipal Councils Studied

Rank	KMC - <i>High Collection Performance</i>	KSMC <i>Medium Collection Performance</i>	KTMC <i>Low Collection performance</i>
1 st	HCWS13 (M = 4.69)	HCWS6 (M = 3.68)	HCWS8 (M = 4.23)
2 nd	HCWS12 (M = 4.25)	HCWS13 (M = 3.68)	HCWS7 (M = 3.60)
3 rd	HCWS8 (M = 4.12)	HCWS8 (M = 3.66)	HCWS10 (M = 3.47)

For staff in KMC, HCWS13 perceived to have the highest degree of presence in their work environment compared to those in KSMC (ranked 2nd) and KTMC (ranked 14th). On the other hand, staff in KTMC ranked HCWS8 in first position compared to third place by both staff in KMC and KSMC. Staff in KMC assigned higher rank for HCWS12 (2nd) than those in KSMC (4th) and KTMC (7th).

The ANOVA results show that the mean score of the High-commitment Work System Items for staff in KMC is the highest and it is significantly different from the mean score of those in KTMC and KSMC. Based on the investigated sample, the degree of presence of high-commitment work system environment is higher in the council with a high collection performance compared to the councils with medium and low collection performances.

8.1.2 Tax Compliance Behaviour

Local taxpayer compliance behaviour has been studied in the light of the established hypotheses in chapter 3. A summary of the results is presented here according to the stated hypotheses.

8.1.2.1 Taxpayers' Perceptions about Satisfaction with Benefit Received, Clarity of the Assessment Tax System, Convenience of Payment and Quality of Service

This part summarises the results of the testing of hypotheses One, Three, Four and Five.

8.1.2.1.1 Satisfaction of Benefit Received (BR) (Hypothesis One)

Table 7.2 of Chapter Seven indicates no significant agreement between the rankings of the perceived satisfaction of the Benefit Received Items (BRI) by the three groups of assessment taxpayers. Overall, taxpayers show the highest agreement of satisfaction on the sport and recreational facilities and are least satisfied with the drainage systems. Furthermore, the perceptions of taxpayers about satisfaction about the benefits received in KMC and KTMC are very similar except for refuse collection and drainage systems. Taxpayers in KMC ranked fourth for drainage system compared to those in KTMC (fifth). On the other hand, refuse collection was ranked higher by taxpayers in KSMC (2nd) compared to those in KMC and KTMC.

Overall, results of the ANOVA show that the mean score of perceptions about satisfaction with benefit received items by taxpayers in KMC is the highest, and it is significantly higher than the mean scores of those in KSMC and KTMC.

8.1.2.1.2 Clarity of the Assessment Tax System (CATS) (Hypothesis Three)

No significant differences in terms of taxpayers' perceptions about the clarity of the assessment tax system were discovered between the groups. All taxpayers perceived CATS1 as having the highest degree of clarity among CATS items. Whereas CATS3 is perceived to be the lowest degree of clarity of the assessment tax system by all three groups of taxpayers studied.

Although the mean score of the CATS items is higher in KMC compared to KSMC and KTMC, the Scheffe multiple range test shows no two groups are significantly different at the 0.05 level.

8.1.2.1.3 Convenience of Payment (COP) (Hypothesis Four)

Kendall's W results show no significant agreement between the rankings of the perceived presence of COP items by respondents in all the three municipal councils. Table 8.3 shows the top three COP items as perceived by the three groups of taxpayers in the sample.

Table 8.3: The Top Three Highest Mean Scores of the Convenience of Payment Items as Perceived by Taxpayers in the Municipal Councils Studied

Rank	KMC - <i>High Collection Performance</i>	KSMC <i>Medium Collection Performance</i>	KTMC <i>Low Collection performance</i>
1 st	COP5 (M = 3.48)	COP3 (M = 3.44)	COP3 (M = 3.49)
2 nd	COP7 (M = 3.48)	COP4 (M = 3.36)	COP7 (M = 3.46)
3 rd	COP2 (M = 3.43)	COP5 (M = 3.35)	COP5 (M = 3.41)

Taxpayers in KMC perceived COP5 as having the highest (ranked 1st) degree of convenience compared to those in KSMC (3rd) and KTMC (3rd). Furthermore, higher ranks were assigned by those in KSMC and KTMC for COP3 than those in KMC (ranked 4th). COP7 was ranked second by taxpayers in KMC and KTMC, on the other hand COP4 ranked as second position by those in KSMC.

The ANOVA results show no significant difference in terms of the mean score for the COP items between municipal councils in the sample.

8.1.2.1.4 Quality of Service (QOS) (Hypothesis Five)

Results of Kendall's W show a significant degree of concordance between the rankings of the perceived presence of the QOS items by taxpayers in all three municipal councils studied. Overall, QOS3, QOS5 and QOS4 have the highest agreement shown by taxpayers. Table 8.4, however, shows the top three of the mean scores for quality of service items as perceived by taxpayers in the three municipal councils studied.

Table 8.4: The Top Three Highest Mean Scores of the Quality of Service Items as Perceived by Taxpayers in the Municipal Councils Studied

Rank	KMC - <i>High Collection Performance</i>	KSMC <i>Medium Collection Performance</i>	KTMC <i>Low Collection performance</i>
1 st	QOS4 (M = 3.42)	QOS3 (M = 3.11)	QOS3 (M = 3.23)
2 nd	QOS3 (M = 3.38)	QOS10 (M = 2.96)	QOS5 (M = 3.15)
3 rd	QOS5 (M = 3.34)	QOS5 (M = 2.90)	QOS11 (M = 3.11)

The highest rank assigned by taxpayers in KMC is QOS4. Whereas, QOS3 has the highest assigned rank by those in KSMC and KTMC compared to KMC's taxpayers (ranked 2nd). QOS5 was ranked third by both taxpayers in KMC and KSMC, and it is ranked second by their counterparts in KTMC.

Overall, results of ANOVA show that the mean score of the quality of service items by taxpayers in KMC is the highest, and it is significantly higher than the mean scores of those in KSMC and KTMC.

8.1.2.2 Ability to Pay, Compliance Costs and Financial Information

This part summarises results of testing of hypotheses two, six and seven.

8.1.2.2.1 Ability to Pay (Hypothesis Two)

Three variables that have been associated with the taxpayer's ability to pay were tested. These are taxpayers' monthly gross income, the number of taxpayers' dependents and the type of house owned by taxpayers.

As shown in Table 7.16 of Chapter Seven, the number of taxpayers receiving income below than RM2,000 is the highest in KMC (86.5%) compared to those in KTMC (71.4%) and KSMC (55.7%). Furthermore, the lowest percentage of income above RM3,000 is shown by taxpayers in KMC (7.7%) compared to KTMC (12.3%) and KSMC (23.1%). Results of ANOVA show that taxpayers in KSMC have significantly higher income ($M = \text{RM}2,358$) than those in KTMC ($M = \text{RM}1,963$) and KMC ($M = \text{RM}1,645$).

With regard to the number of dependents, taxpayers in the KSMC have the highest percentage of the number of less than two dependents (58.7%) compared to KTMC (41.8%) and KMC (37.9%). On the other hand, 13.3% of the taxpayers in KTMC have more than five dependents, compared to those in KMC (11.6%) and KSMC (6.7%). Results of ANOVA show that taxpayers in KTMC have a significantly higher number of dependents ($M = 2.51$) than those in KSMC ($M = 1.86$) and KMC ($M = 2.29$).

Furthermore, the ANOVA also shows significant differences between the groups of taxpayers in terms of the type of house owned. The Scheffe multiple test indicates that the KSMC's taxpayers scored higher ($M = 2.09$) on the type of house owned⁹¹ than the taxpayers in KMC ($M = 1.80$) and KTMC ($M = 1.69$).

8.1.2.2.2 Compliance Cost (Hypothesis Six)

Four variables have been associated with cost of compliance for assessment taxpayers.

These are:

- 1) time taken for record and book keeping;
- 2) cost of expert advice;
- 3) miscellaneous expenses; and,
- 4) frequency of visits by taxpayers to the assessment tax office.

Table 8.5 summaries the mean scores of the above variables according to the municipal councils studied.

Table 8.5: Summary of Mean Scores of the Compliance Cost Variables between Taxpayers in the Municipal Councils Studied

Variable	KMC - High Collection Performance	KSMC Medium Collection Performance	KTMC Low Collection performance
Time taken for record and book keeping	1.73hrs	1.30hrs	0.84hrs
Expert advice costs	RM3.88	RM0.00	RM2.30
Miscellaneous expenses	RM17.84	RM12.98	RM14.80
Frequent visit to assessment tax office	1.80 Times	1.90 Times	1.36 Times

⁹¹ The scale for the type of house owned: 1=low-cost house; 2=medium-cost house; 3=high-cost house; and 4=shop house.

Overall, compliance costs of the taxpayers in KMC are much higher than the other taxpayers in KTMC and KSMC. Taxpayers in KMC spend more time and money to comply with assessment tax. Most of them, however, spend less than five hours per year with records and book keeping. They also spend less than RM50 for expert costs in the year studied.

There is, however, no significant difference in terms of miscellaneous expenses incurred by the three groups of taxpayers in the study. But, there is a significant difference in terms of the number of visits to the assessment tax office between the groups. The mean scores of taxpayers' visit to council office in KSMC and KMC are significantly higher than the mean score of those in KTMC.

8.1.2.2.3 Financial Information (Hypothesis Seven)

Based on the results of taxpayers' perceptions about the presence of financial information, it can be said that taxpayers in the three municipal councils would be appreciative if the councils disclose relevant financial information. Eighty-eight of the respondents in the study are asking the councils to disclose this type of financial information. More than 90 per cent of the respondents were interested to know about the council's revenue and expenditure. They also indicate that they (i.e. 92.2% of the respondents) would be more willing to pay tax if such information was to be made available.

The results of ANOVA indicate that there is a significant difference in terms of taxpayers' perceptions about the presence of financial information between the

municipal councils of Kuantan, Kota Setar and Kuala Trengganu. The overall results show that taxpayers in KTMC (i.e. low collection performance council) scored the highest means among the groups in the sample. This result indicates that the presence of the relevant financial information will improve the level of assessment tax collection.

8.2 Discussion

This section is devoted to a discussion about the major findings obtained in the study.

8.2.1 Tax Administration System

8.2.1.1 Efficiency and productivity of the Assessment Tax Administration

Results of the analysis indicate that the council with high collection performance tends to be more efficient compared to those with medium and low collection performances. The analysis was not restricted to cost-revenue ratio as in Ishi (1993) and Hajah Mustafa (1996) but was also extended to include other ratios such as cost-property holders and one another. Based on these analyses, it appeared that Kuantan's assessment tax administration is more efficient than those in Kota Setar and Kuala Trengganu. This is consistent with Kelly and Oldman's (1973, p.94) view that 'efficient tax administration involves an effort to achieve the maximum collection of revenue'. The concept of efficiency in this study also corresponds to what has been mentioned by Rowen (1969, p.95) that:

...in any productive activity there is an objective and there are resources (always limited). The task for the administrator is to

maximise the attainment of his objective, or if he has a fixed objective, to achieve it with the smallest consumption of resources. Such activities can be called efficient.

Furthermore, Kuantan Municipal Council's tax administration staff have also shown that they were more productive than those working in medium and low collection performance. This is based on comparative analysis of the productivity ratios⁹² between the municipal councils of Kuantan, Kota Setar and Kuala Trengganu. When measuring the productivity of the Inland Revenue Department of Japan and Malaysia Ishi (1993) and Hajah Mustafa (1996) have employed this method. The extensive use of computers by the Kuantan Municipal Council in its tax administration system is an additional reason that their level of productivity is higher than its counterparts, Kota Setar and Kuala Trengganu. The findings of the usage of computer between municipal councils studied will be discussed in section 8.2.1.2.3.

8.2.1.2 Tax Collection System

Many Malaysian studies, such as the Nahappan Report, 1970; Pilay and Tan, 1985; Ismail, 1989 and 1991; and Hizam *et al.* (1994), argued that low collection of assessment tax revenue is due to poor tax collection systems adopted by the council. Billing and collection as well as managing taxpayer accounts have been associated with tax collection systems (Post and Hochberg, 1989; Gelinas, *et al.*, 1990). In this study, the above three variables and the use of information technology (i.e. computers) have been further investigated by comparing three municipal councils with different

⁹² Productivity ratio is computed by using the following formula: Number of assessment tax staff divided by total number of property holders (i.e. assessment taxpayers)

levels of collection performance. These three variables are discussed separately below.

8.2.1.2.1 Billing and Collection of Assessment Tax

Results of the analysis indicate that no difference in terms of billing and collection practised by the three municipal councils. All the assessment tax bills issued by the three municipal councils are computerised. All the three councils use pre-billing systems. Furthermore, all the three councils include similar information in their assessment tax bills. This information was prescribed in the Local Government Act 1976. In addition, the Local Government Act 1976 also prescribes when the bills should be prepared and issued to taxpayers. Nahappan's (1970) findings were published before the Act (1976) was introduced. It might be possible that Nahappan's observations have been considered in the Act. However, due to the small sample covered in this study, further comments or generalisation cannot be made to include other local authorities.

8.2.1.2.2 Managing Taxpayer Accounts

Managing delinquent taxpayers is a main issue in Malaysian local authorities. As discussed earlier in chapter 2, the level of uncollected revenue is high in Malaysian local authorities. Post and Hochberg (1989) provide three strategies that can turn bad accounts into good accounts. These strategies are:

- 1) incentives for prompt payment;
- 2) penalties for late payment; and,

3) actions taken against non-payment.

Meanwhile, Section 148 of the Local Government Act 1976 also sets out similar strategies to those identified by Post and Hochberg (1989) in managing delinquent taxpayers.

Results of the analysis indicate that there are major differences in enforcing Section 148 of the Local Government Act 1976 among municipal councils. It was shown that the Kuantan Municipal Council was full making use of Section 148 of LGA 1976 in combating delinquent taxpayers. For instance, the number of *E-Forms* issued is twice high as in Kuantan compared to Kota Setar, and three times as high when compared with Kuala Trengganu. None of the three councils, however, provide any incentive for early payment as suggested by Post and Hochberg. This may be due to the non-existence of such provision in the Local Government Act 1976 and therefore it would be considered illegal⁹³ if local authorities introduced such an instrument.

8.2.1.2.3 **The Use of Information Technology**

Results of the analysis indicate that the level of computer usage in Kuantan Municipal Council is higher than that in Kota Setar and Kuala Trengganu. This finding corresponds to that highlighted by the UK Audit Commission (1995, p.24) that ‘the effectiveness of using information technology is a critical ingredient of good council tax collection’. Another example, as given by Kay and King (1980), is that the higher

⁹³ As reported by Laporan Jawatankuasa Mengkaji Prestasi Kewangan Majlis Perbandaran Kuala Trengganu 1995.

productivity and efficiency of the USA's tax administrative system in the 1970's was due to the extensive use of computers by the IRS as compared to that in the UK (IRD).

Furthermore, the level of computerisation in the system in the Kuantan Municipal Council's assessment tax departments (or related sections) is a step ahead of those of Kota Setar and Kuala Trengganu. On-line computer systems within the assessment tax department (as well as other related sections or departments) were used in Kuantan Municipal Council but only in individual sections or functions in Kota Setar and Kuala Trengganu. The impact of using a computer-based-system in Kuantan's assessment tax administration does not only increase productivity, but also reduces collection costs (see Table 6.1). This is in agreement with Martin and Powell (1992).

8.2.1.3 Organisational Commitment and High-commitment Work System

8.2.1.3.1 Organisational Commitment

The results of this study indicate that Kuantan Municipal Council, with a high collection performance, has highly committed assessment tax staff when compared to those in Kota Setar and Kuala Trengganu, with medium and low collection performances respectively. These findings correspond to Porter *et al.* (1974); Mowday *et al.* (1974); and Mowday *et al.* (1979). They revealed that organisational commitment is not only a predictor of employee retention but may also be a predictor of employee effort and performance. The performance of the tax administrator, as according to Surrey (1969 and 1975); Mikesell (1974), is associated with the level of tax collection. The effort and commitment of the Kuantan's assessment tax staff are

further validated by winning two national awards for the quality and innovation of a project for an uncollected revenue system in 1988 and 1995.

8.2.1.3.2 High-commitment Work System

Results of the analysis indicate that the degree of presence of high-commitment work system environment is higher in the assessment tax department of KMC compared to its counterparts in KSMC and KTMC. This is not surprising because the level of productivity of the KMC's tax administration is also higher than those in KSMC and KTMC. The level of productivity is the main issue of the introduction of a high-commitment work system (Beer *et al.*, 1984 and Walton, 1985). The findings of this study are in agreement with Wood and Albanese (1995).

8.2.2 Tax Compliance Behaviour

8.2.2.1 Benefit Received

The Local Government Act 1976 ensures local taxpayers receive at least a minimum service from their local authority, but the level of taxpayer satisfaction is beyond its control. Benefit received from services provided might best be judged through the level of taxpayer satisfaction.

Results of the analysis indicate that the level of satisfaction with benefit received is higher in the council with a high collection performance compared to the councils with medium and low collection performances. This indicates that benefit rules as recommended by earlier researchers, such as Adam Smith, 1776; Porcano, 1984;

Barnett 1990; and Musgrave and Musgrave 1980, strongly support the efficiency of the implementation of tax systems. Low satisfaction, in the case of Kuala Trengganu with a low collection performance, with benefit received among taxpayers affected the level of tax collection. Although this is not the only factor which can be associated with low collection performance, the differences in terms of taxpayers satisfaction with benefit received between councils with high and low collection performance in this study are significant. Benefit rule issues also emerged in the UK local tax system (Barnett, 1990 and 1993), but as proposed by Adam Smith (1776) the distribution of tax burden must not only concentrate on the benefit rule but also taxpayers' ability to pay. The results of findings about assessment taxpayer's ability to pay are discussed in the following section.

8.2.2.2 Ability to Pay

According to Musgrave (1994), the distribution of the tax burden should be based on fairness rather than being derived from a premise of entitlement. This indicates that each taxpayer contributes in line with his or her ability to pay (Adam Smith, 1776). In this study, three factors associated with the taxpayers' ability to pay, i.e. income, number of taxpayers' dependents and type of house owned, are examined and compared between the three councils with different levels of collection performance.

Results of the analysis indicate that taxpayers in the council with medium collection performance have a significantly higher level of income when compared to those in the councils with high and low collection performances. As a comparison between high and low collection performance, taxpayers in the council with a low collection

performance are relatively less able to pay. Although the rates for assessment tax are different between areas in the council jurisdiction, such as town centre, sub-town centre and outside town centre, no other incentives were given to those with less ability to pay. Studies by Barnett (1990 and 1993) stressed that unpopularity of the UK Community Tax system in the early 1990's was due to some extent to lack of emphasis on the ability to pay principle. This has clear implications for the Malaysian experiences in terms of collection assessment taxes.

8.2.2.3 Clarity of the Assessment Tax System

The simplicity or understanding of the structure of tax system will influence taxpayer acceptability of the tax system (Meade report, 1978). Results of the analysis indicate no significant difference in terms of taxpayer perceptions about the clarity of the assessment tax system existing between the three municipal councils. This may indicate that, as reported by Layfield Committee (1976), the structure of the assessment tax (the rates) is simple and understandable. The process of paying assessment tax is straightforward compared to income tax. The bills contained the total amount to be paid, and the council does the assessment of the property every five years. Furthermore, the assessment of the property will be finalised after all the necessary appeals (and adjustments) from taxpayers have been considered and approved by the State Authority before implementation. This, to some extent, shows that an understanding between taxpayers and council has been reached in advance of the assessment tax being implemented.

Although there is an association between taxpayer education background and understanding of income tax system (Hajah Mustafa, 1996), no significant difference was found between these variables in the context of the local assessment tax system.

8.2.2.4 Convenience of Payment

Results of the analysis indicate that no significant difference in terms of taxpayer perceptions about convenience of payment appeared between the three municipal councils studied. This is also consistent with the results of billing and collection of assessment tax practised by the municipal councils with high, medium and low collection performance.

Adam Smith's canon that 'every tax ought to be levied at the time, or in the manner, in which it is most convenient for the contributor to pay it' is well prescribed by the Local Government Act 1976. As discussed earlier, all the information included in the assessment tax bills, as well as the collection methods in the three municipal councils, was clearly specified in the Act. Another point that may explain the 'no difference' among municipal councils is the characteristics of the assessment tax itself.

8.2.2.5 Quality of Service

Rapp and Patitucci (1977) argued that the existence of a local authority, unlike that of a private business, is not solely dependent on satisfying its customers, nor is the revenue collected by them based on customer choices related to the worth of a product or a service. Results of the analysis, however, indicate that municipal councils with

high collection performance have a significantly higher quality of services as perceived by its taxpayers compared to those in municipal councils with medium and low collection performances. This may also indicate that the levels of assessment tax collection in the three municipal councils are to some extent influenced by the level of quality of service provided. This corresponds to Oates (1969) and Parasuraman *et al.*, (1988) that delivering superior service quality is a prerequisite for success, if not survival, of such businesses. This may be an important consideration in the potential privatisation of future council services.

8.2.2.6 Compliance Costs

Results of the analysis indicate that compliance costs for taxpayers in the municipal council with a high collection performance are relatively higher than those in the municipal councils with medium and low collection performances. This result may indicate high compliance costs in the high tax compliant council compared to those with less compliance. However, this does not mean that assessment tax compliance costs are higher than other tax systems. This study is only concerned about the comparison of compliance costs between municipal councils with high, medium and low taxpayer compliance.

8.2.2.7 Financial Information

Results of the analysis reveal that none of the taxpayers in the sample had the opportunity to read the council's financial reports and accounts. This corresponds to

Tayib and Coombs (1997) that easy access to annual financial accounts is limited to councillors, auditors, the State Authority and the Ministry of Housing and Local Government. The assessment taxpayers are conspicuous by absence from this group. In contrast to Collins *et al.* (1991), this study found that demand for financial reports and accounts among taxpayers in the municipal councils studied was very high. This agrees with the findings of Maschmeyer and Daniker (1979) who stated that all the financial statements prepared by the state and local governments are perceived to be useful by US taxpayers. In fact, the demand for the reports by taxpayers in municipal council with low collection performance is significantly higher than those in the municipal councils with high and medium collection performance.

The differences, in terms of local taxpayer perceptions about financial reports and accounts between UK and Malaysia, could be further explained by reference to statutory requirements imposed by both countries. The UK local authority provides information on budgets, grant levels etc. to council taxpayers in the literature which accompanies council tax bills under the Local Government Act 1992.

Results of the analysis also indicate that the presence of financial information can influence taxpayer compliance behaviour. The presence of financial information as perceived by taxpayers in the municipal council with low collection performance has significantly influenced their compliance behaviour compared to those in high and medium collection performance. These findings correspond to the concept of a 'transparent link' between spending and taxation decisions as highlighted by Jackson (1994) and also principal-agent relationships (Bird, 1973; Collins *et al.*, 1991).

8.2.3 The Proposed Model

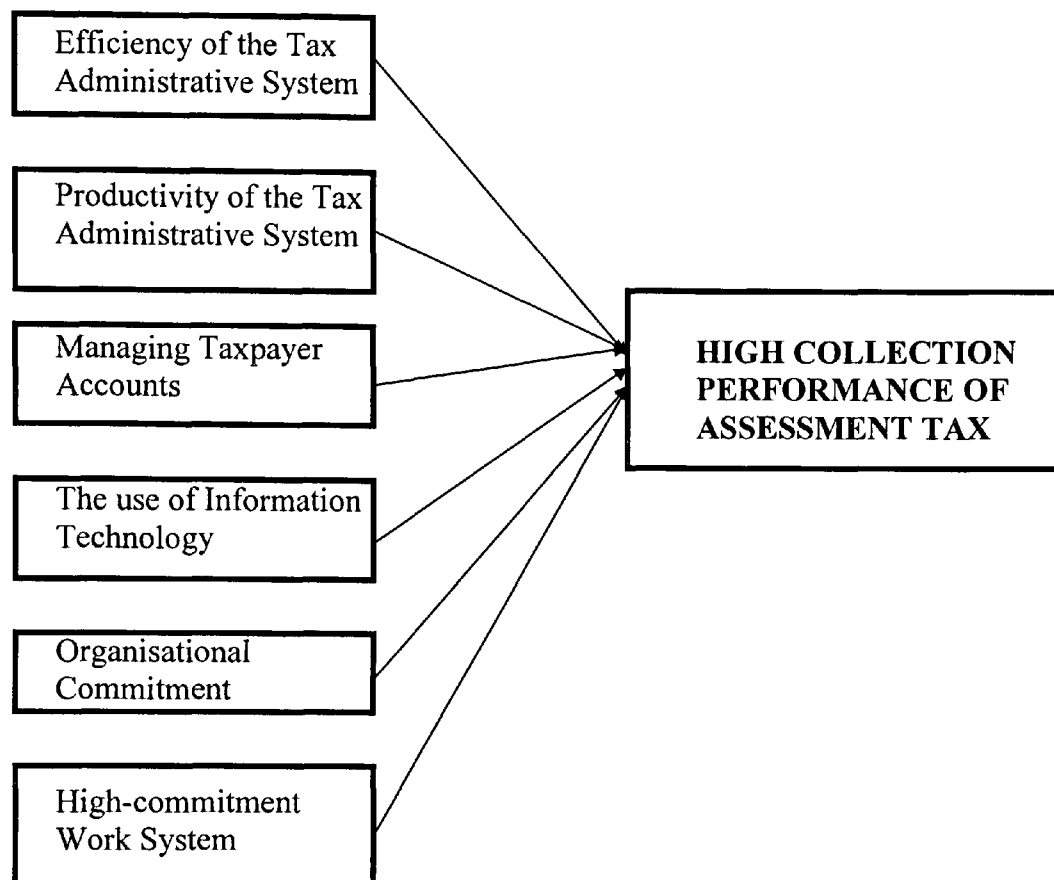
Based on the findings from the comparative analysis between municipal councils with high, medium and low collection performances, two new models of efficiency and productivity of assessment tax system and assessment taxpayer compliance behaviour are proposed. The models indicate factors or variables that are associated with municipal councils with high collection performance.

8.2.3.1 Efficiency and Productivity of the Assessment tax System

Results of the analysis indicate that the determinants for efficiency and effectiveness in the assessment tax administration system associated with the municipal council with high collection performance are:

- Efficiency of the tax administrative system
- Productivity of the tax administrative system
- Managing Taxpayer Accounts
- The use of Information Technology
- Organisational Commitment
- High-commitment Work System

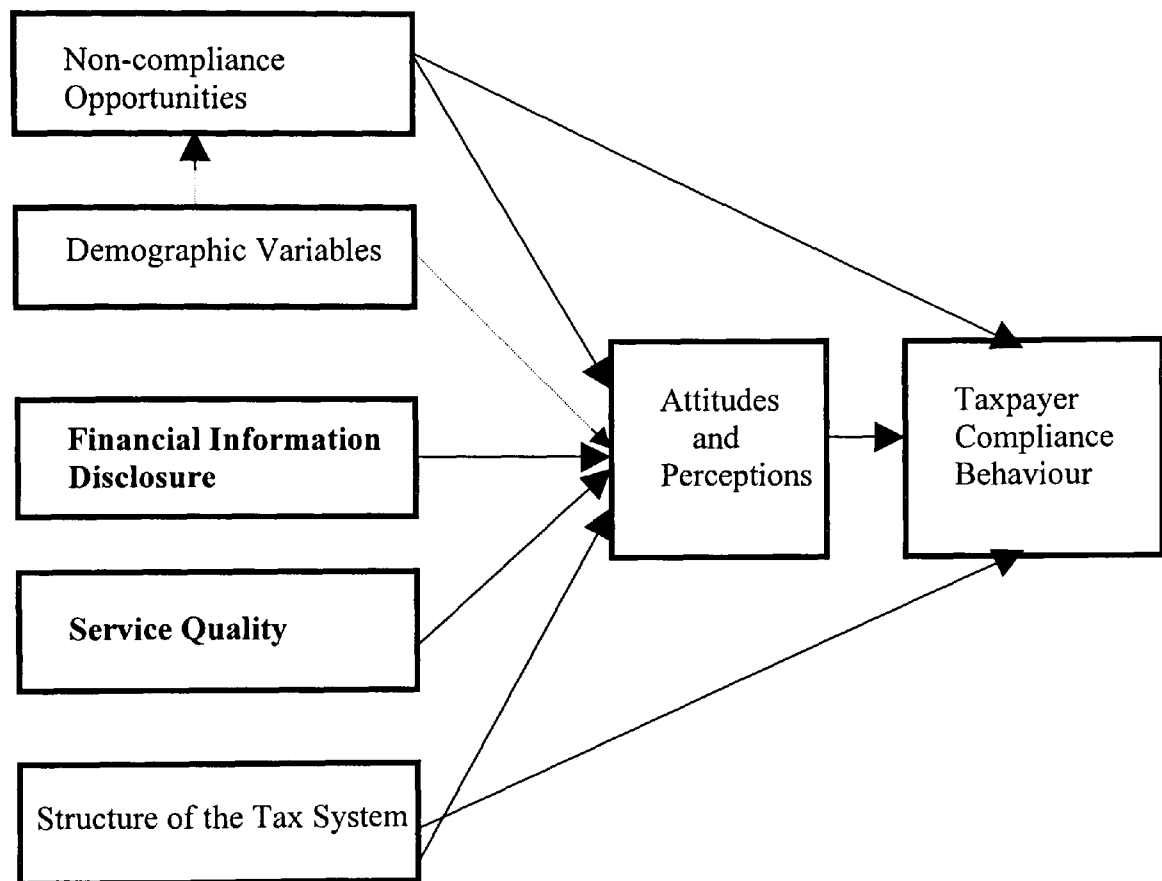
Figure 8.1: Determinants of High Assessment Tax Collection Performance



8.2.3.2 Taxpayer Compliance Behaviour

Figure 8.2 shows the taxpayer compliance model used in this study. Two new determinants with respect to taxpayer compliance behaviour were identified and incorporated into the model. There are: financial information disclosure and quality of service factors.

Figure 8.2: Model of Taxpayer Compliance



Key: **Bold** indicates new variables incorporated in the model.

8.3 Theoretical and Practical Implications

This section is divided into two parts.

- 1) Outlines implications for development of taxation theories, particularly of tax administration and tax compliance behaviour; and,
- 2) Discusses implications for management practices, particularly for local authorities in Malaysia.

8.3.1 Theoretical Implications

This study was conducted on the assessment tax system, which is a local tax system imposed by Malaysian local authorities, using a model (as well as theories) identified and developed by earlier researchers for the income tax system. Further, most the studies related to taxation, including assessment tax, originated within developed countries. Prior to this work, there was a lack of empirical studies regarding their applicability in developing countries such as Malaysia. To some extent, the results of this study lend some support to the theories of tax compliance behaviour and the efficiency of tax administrative system. This study has developed important new attributes which were previously undiscovered as they relate to local assessment tax system.

The efficiency and effectiveness of tax system depends highly on the success of the tax administrative procedure and administrators in carrying out the procedure (Mikesell, 1974). Results pertaining to tax collection systems, organisational commitment and high-commitment work system of the municipal council with high collection performance provide an indication that tax administrative procedures and tax

administrators were important in ensuring the efficiency and effectiveness of the tax administration system.

The organisational commitment and high-commitment work system measures that are used in measuring productivity in the private sectors especially manufacturing companies, appear to support the results of this study. Municipal councils with high collection performances have higher productivity levels when compared to municipal councils with medium and low collection performances. In terms of theoretical development, this result indicates that, though there may be different settings and demonstrable different working systems, there are certain aspects of management which may be universally applicable.

The taxpayer compliance model used for income tax systems seems to be less comprehensive in explaining the behaviour of taxpayer compliance in the Malaysian local tax system. The contribution of this study to the theory (or model) of tax compliance is the inclusion of two additional variables: financial information disclosure and quality of service. Quality of service was found to be significantly associated with municipal councils with high collection compared to municipal councils with medium and low collection performance. On the other hand, financial information was perceived to be significantly important in terms of tax collection among taxpayers.

8.4.2 Implications for Management Practices

Results of this study provide insight into the practice of the local tax system in Malaysia. The purpose was to improve the assessment tax collection (or compliance behaviour among assessment taxpayers) as well as the efficiency and productivity of tax administration system. Some suggestions are made.

The way this research was conducted, by comparing municipal councils with different levels of assessment tax collection performance, may provide help to other local authorities in Malaysia by sharing experiences of a good tax collection performance council. This study revealed that municipal councils with high collection performances are more efficient and productive in administering their assessment tax system compared to municipal councils with medium and low collection performances.

The tax collection system, especially managing taxpayer accounts, is one of the most important parts of revenue collection systems. Most instruments dealing with managing taxpayers accounts (delinquent taxpayers) are stated in the LGA 1976. The way municipal councils with a high collection respond to non-payment or delinquent taxpayers was suggested by many researchers (see for example, Oldman, 1965; Kelly and Oldman, 1973; Surrey 1975; Post and Hochberg, 1989). Results of this study also revealed that municipal councils with medium and low collection performances are found to be less aggressive in combating *delinquent* taxpayers in their jurisdictions (or issuing *E-Forms*). It is therefore suggested that the experience of the municipal council with high collection performance in managing their delinquent taxpayers

should be learned and adopted by other councils which have high level of uncollected assessment tax revenue.

The extensive use of information technology, i.e. computers, in the assessment tax administration of the municipal council with a high collection performance has proved to be more productive and efficient than municipal councils with medium and low collection performances. It is therefore suggested that in order to accommodate the increasing number of property holders among local authorities, efforts in using more computer technologies in managing the assessment tax should be undertaken. On-line systems, at least within the assessment tax functions, should be considered when purchasing new systems.

The work systems designed in the assessment tax department (and other related sections or departments) of the municipal council with high collection performance have a strong effect on the commitment, competence and cost effectiveness of the assessment tax administration. This is indicated by results of this study, i.e. that tax staff perceptions about organisational commitment and the presence of high-commitment work system are significantly higher in the municipal council with a high collection performance than those in medium and low collection performances. It is therefore recommended that steps to consider high-commitment work system approach should be undertaken by management of local authorities, which have problems with low levels of assessment tax collection. This may be done by:

- 1) introducing quality circle meetings;
- 2) providing regular information to staff;
- 3) establishing team work;

- 4) encouraging staff to contribute ideas in the decision making process;
- 5) providing regular training sessions; and,
- 6) keeping the staff fully informed of the council's corporate departmental policies.

Although, HCWS3, i.e. pay or salary, could hardly be improved due to the public sector pay systems, councils can introduce other measures such as bonuses, high yearly pay increments, etc. to those who performed and this can encourage or motivate others.

With respect to taxpayer compliance behaviour, the study revealed that taxpayers' perceptions regarding satisfaction with benefits received and quality of service delivered by the municipal council with a high collection performance were significantly higher than those in medium and low collection performances. It is therefore suggested that local authorities should seek to improve public (taxpayers) satisfaction with the basic services provided to them. This may be done by regularly surveying taxpayer satisfaction with the services provided and asking for recommendations for improvement. With regard to quality of services delivered, most of respondents in the sample perceived that services provided by councils are not according to the standards which have been laid down in the customer charter. Failure to achieve standards affects the council image, as almost all the customer charters⁹⁴ explains how services are to be conducted and delivered to customers⁹⁵. It is therefore recommended that councils should seek to follow the customer charters as closely as

⁹⁴ As required by the Malaysian Public Service Department, all government departments (including local authority) must prepared customer charters. Each department, including the assessment tax department, has their own customer charters.

⁹⁵ As required by the Public Service Development Circular, No. 3, 1993, Prime Minister Department.

they can. Alternatively, the preparation of customer charters must be based on councils' capacity to deliver services rather just copying other councils publicly available standards.

Although there is no significant difference in terms of taxpayers' perceptions about the clarity of the assessment tax system between municipal councils with high, medium and low collection performances, the results also reveal that the level of understanding of the assessment tax system among taxpayers in municipal councils with medium and low collection performances are relatively low compared to high collection performance councils. This indicates that the level of taxpayers' knowledge or understanding about the assessment tax system in municipal councils with medium and low collection performances needs to be raised, and necessary action should be undertaken. However, the current practice⁹⁶ of educating taxpayers by the three municipal councils was mainly focused on the implications⁹⁷ of not complying with the assessment tax rather than the purpose of levying the assessment tax. It is therefore suggested that the approach used in promoting the assessment tax should be focused on educating taxpayers to better understand the assessment tax system as a whole, such as the objective (or purpose), the computation of the tax and the benefit (or otherwise) that can be obtained from paying assessment tax. In the long run, it may help towards reducing taxpayers compliance costs, i.e. expert costs.

The level of convenience of payment as perceived by taxpayers is relatively high among the municipal councils studied, but no significant difference exists between

⁹⁶ Based on brochures, banners, advertisements and posters issued to the public.

⁹⁷ This is based on the observation of the promotion of assessment tax through banners, sign boards, posters, brochures that are displayed and distributed to taxpayers.

these three municipal councils. However, taxpayers in this study seem unhappy with the allocation of collection (payment) points for those who are outside town centres. This can be overcome by extending the current centralised payment facilities to include post-offices (currently banks), as the number of post-offices is much larger than banks. Furthermore, it is also suggested that freepost facilities should be considered, as to date no such facilities have been offered to taxpayers by the Malaysian local authorities. This may help to reduce taxpayer compliance costs, especially miscellaneous expenses⁹⁸. The results of this study indicated that the compliance cost of the municipal council with high collection performance is significantly higher than those in medium and low collection performances. However, these differences are not reflected in the total compliance cost as this study only compared high, medium and low collection performances.

The results of this study indicated that taxpayers in municipal councils with low and high collection performances are significantly less able to pay compared to municipal councils with medium collection performances. It is therefore suggested that the rebate system should be considered by the State Authority⁹⁹ in order to encourage those with low incomes to comply with the assessment tax. This is in agreement with Adam Smith's (1776) canon of taxation and the UK Council Tax rebate system.

Financial information has been shown to be a significant factor in influencing taxpayer compliance behaviour. By providing more and better financial information, taxpayers would be expected to be more committed to their councils. The Malaysian local

⁹⁸ Includes postage, travelling costs, and other related costs in the process of paying assessment tax.

authorities could follow the experiences of UK local authorities in disseminating the relevant financial information to local taxpayers, such as a summary of financial information regarding income and expenditure attached to the Council Tax bills.

8.4 Limitations and Future Research

This part outlines limitations of this study followed by recommendations for future work.

8.4.1 Limitations of the Study

As with any survey research, limitations on the findings from this research have to be acknowledged. These limitations are described in the following categories: generalisability and methodology.

8.4.1.1 Generalisability

The ultimate aim of this study was to assess and generalise the local taxpayer compliance behaviour and the efficiency and productivity of the local tax administration systems in Malaysia. Inevitably, constraints on the sample and the design of the study pose some limitations on this objective. These limitations are:

⁹⁹ Section 135 of the LGA 1976 provides that State Authority has a power to exempt or reduce the assessment tax. However, the local authority by the provision of law (LGA 1976) has no power at all to grant such reduction or exemption of assessment tax.

1. Only one local authority in each category was selected as a representative of the three different levels of assessment tax collection performance, i.e. High (Kuantan Municipal Council), Medium (Kota Setar Municipal Council) and Low (Kuala Trengganu Municipal Council). Assessment taxpayers (as well as assessment tax staff) in these councils may possess certain unique characteristics which are different from those in the other municipal councils with the same level of assessment tax collection performance.
2. Participation of the municipal councils, as well as the assessment taxpayers and council staff, in the survey were selected from three different levels of assessment tax collection performance (High, Medium and Low). Different councils within the same group may have different levels of efficiency and productivity in their local tax administration systems. It may also be possible that different local assessment taxpayers in the same group have different attitudes and perceptions with regard to compliance behaviour.
3. Although a longitudinal study was carried out in examining the efficiency and productivity of tax administration system, lack of previous data may pose some limitations on its generalisability.
4. This study was designed to examine the assessment taxpayer attitudes and perceptions about their assessment tax systems. Since individuals were not followed over time, it was not possible to describe a sequence of changes in psychological aspects that subjects might experience throughout their tenure with the councils.

This also applies to the results pertaining to the assessment tax staff regarding organisational commitment and high-commitment work system.

5. This study was limited to the link between the fourteen hypotheses related to tax compliance behaviour and tax administrative system with assessment tax collection performance. Although the results may be similar to those that would occur given other definitions and conceptualisations of the taxpayer compliance behaviour and the local tax administrative system, this study was only concerned with the association identified within these hypotheses. No attempt was made to deal with the concept of taxpayer compliance behaviour and the local tax administrative system in general (or with the wider concept of tax compliance behaviour and the local tax administrative system).

8.4.1.2 Methodological Limitations

1. This study used a 5-point (6-point for quality of service) Likert scale in which respondents were asked to indicate the strength of their agreement about statements concerning satisfaction of benefit received, clarity of assessment tax system, convenience of payment, quality of service, high-commitment work system and organisational commitment items. The use of the Likert scale, as pointed out by Brown (1990), may result in the possibility of patterned responses - a tendency for respondents to respond automatically to questions without paying careful attention to what the question asks. This problem arises from the interpretations different people put on numbers within the scale. Even though the survey attempts to define

these numbers, it is not practical to check whether all respondents interpret the score definitions equally.

2. This study employed quantitative techniques in its design and analysis. These techniques have their own limitations, especially in translating people's feelings into numbers. It is suggested that qualitative techniques should be considered in future research in this area. With the incorporation of both techniques, the study would benefit from the strengths of both and offset the weakness of the other.

8.4.2 Suggestions for Future Research

The results of the efficiency and effectiveness of the assessment tax administration in this study only compared the three municipal councils with different levels of assessment tax collection performance - High, Medium and Low. The efficiency and effectiveness of the assessment tax administration among municipal councils with high (or medium, or low) collection performance as identified earlier in chapter five therefore cannot be compared. Future research should include either all municipal councils with high collection performances or municipal councils with low collection performances. This would allow comparisons to be made on the same level of collection performance.

With respect to taxpayer compliance behaviour, only individual taxpayers' perceptions were studied. Perceptions of corporate taxpayers and their compliance behaviour may be explored further in future research. It would be interesting to study the perceptions

and compliance behaviour of corporate taxpayers as the assessment tax is considered as an expense and deductible from corporate tax.

Results of the taxpayer compliance behaviour in this study only reflected the owner-occupier taxpayers¹⁰⁰ and not the occupier of the property. It is therefore suggested that future research should include all occupiers (including owner-occupiers) of the property. This will allow comparisons be made between non-taxable and taxable occupiers regarding facilities and services provided by the local authority.

The research design adopted in this study in investigating taxpayer compliance behaviour and the assessment tax staff organisational commitment and the presence of high-commitment work system are cross-sectional in nature. It therefore did not examine the effects of changes in aspects of services, organisational and work systems that may have taken place in the municipal councils sampled. To examine the effects of these changes, it is suggested that a longitudinal study should be carried out in the future.

¹⁰⁰ Section 133 of the LGA 1976 specifies that the owner of the property is responsible for assessment tax.

8.5 Conclusions

This research concentrates on the two aspects of the assessment tax compliance in Malaysian local authorities by examining the assessment tax administration systems and assessment taxpayers compliance behaviour. This chapter presented a summary of results obtained in this study. The following findings merit attention:

- The characteristics of the efficiency and effectiveness of the assessment tax administration are, in general, consistent with the attributes suggested by Mikesell (1974 and 1996). The manufacturer of a high-commitment work system approach, which is recommended by Beer *et al.*, 1984 and Walton, 1985, was found to be associated with a high collection performance municipal council.
- Though the factors of taxpayer compliance behaviour are, in general, consistent with the model suggested by Fischer *et al.*, (1992) and Hajah Mustafa (1996), two more factors were added to the model: quality of service delivered and the provision of financial information. Thus, this provides support for Oates (1969), Maschmeyer and Daniker (1979) and Jackson (1994).

In general, this research has shown that the canons of taxation as proposed by Adam Smith two hundred years ago are applicable to all types of taxation systems. Although many of the studies are based on income taxpayer attitudes and perceptions toward tax compliance, lessons can still be learnt from these experiences. This is in agreement with Ridge and Smith (1991).

Implications for management practice and research were also presented. Suggestions for improvement were given by almost all the findings of this study. Further, the way this research was conducted has the potential to provide practical solutions for councils which have problems of low compliance rates for the assessment tax.

In conclusion, this thesis started with specific aims and objectives that have all been achieved although limitations and constraints inevitable within any doctoral work have been recognised and pointed out. At a minimum the researcher would hope that the findings displayed by this research could well be of benefit for the management of Malaysian local authorities. That is, having identified the factors associated with local taxpayer compliance behaviour and the efficiency and productivity of the assessment tax administration systems, they can be used, firstly, to improve the assessment tax collection revenue performance and secondly, to improve the management practices associated with that collection performance. Finally the research could also provide an avenue for future work in the area of local tax compliance in other countries.

REFERENCES

Statutes and Statutory Regulations

Local Government Act 1976
Street, Drainage and Building Act 1974
Town and Country Planning Act 1976
Indian Legislation Act 1848
Municipal Rates Act 1848
Malaysian Constitution 1957
The Selangor State Regulations, No. XI, 1980.

Perkeliling Kemajuan Pentadbiran Awam Bilangan 3 Tahun 1993: Panduan Mengenai
Piagam Pelanggan, Jabatan Perdana Menteri

Financial Reports and Accounts

Penyata Kewangan Majlis Perbandaran Kuantan 1988 - 1996
Akaun Majlis Perbandaran Kota Setar 1988 - 1996
Penyata Kira-kira Majlis Perbandaran Kuala Trengganu 1988 - 1996

Budget Reports

Anggaran Belanjawan Majlis Perbandaran Kuala Trengganu 1988 - 1996
Anggaran Belanjawan Majlis Perbandaran Kota Setar 1988
Anggaran Belanjawan Majlis Perbandaran Kuantan 1988

Other Reports

Laporan Ekonomi Negeri Trengganu 1996/97, Unit Perancang Ekonomi Negeri,
Pejabat Setiausaha Kerajaan Trengganu.
Laporan Jawatankuasa Mengkaji Prestasi Kewangan Majlis Perbandaran Kuala
Trengganu, 1995.

Laporan Prestasi dan Laporan Tahunan 1996, Jabatan Penilaian dan Harta, Majlis Perbandaran Kuantan.

Laporan Kewangan Majlis Perbandaran Kota Setar Berakhir pada 30hb Jun 1997.

Laporan Jabatan Penilaian Majlis Perbandaran Kota Setar, 1994.

Laporan Ekonomi 1992/93, Kementerian Kewangan Malaysia.

Laporan Tahunan Majlis Perbandaran Kuantan 1995.

Laporan Tahunan, Jabatan Penilaian Harta 1992.

Sejarah Pembukaan KUANTAN, Majlis Perbandaran Kuantan 1989.

Data Asas 1996, Unit Perancang Ekonomi Negeri Trengganu

TITIAN MPKT 1997, Majlis Perbandaran Kuala Trengganu, Keluaran 1, 1997.

Taklimat Pembangunan Negeri Pahang Darul Makmur kepada Peserta-peserta Kursus PRA Gred 1, 5 Julai 1997

MAKLUMAT Majlis Perbandaran Kuantan 1996.

Secondary Sources

- _____, (1990). *Local Taxation and The Replacement of the Poll Tax*. Report of the Fabian Society Taxation Review Committee (1990) in Local Government Studies, July/August.
- Aaker, A., Kumar, V. and Day, G. S. (1995). *Marketing Research*. 5th Edition, John Wiley and Sons, Inc., New York.
- Abas, Z. (1991). *Competitiveness through Total Quality Management*. Book of Readings, Sekolah Pengurusan, Universiti Utara Malaysia, UUM, Sintok.
- Abdel-khalik, A R. and Ajinkya, B. B. (1979). *Empirical Research in Accounting: A Methodological Viewpoint*. Accounting Education Series, Vol. No. 4., AAA.
- Abdul Latif, S. M. and Skerratt, L. (1997). *Financial Reporting in Malaysia*. FT Financial Publishing, London.
- Abdullah, Hazman Shah (1992). *Pentadbiran Kewangan Kerajaan Tempatan Di Semenanjung Malaysia*. DBP: Kuala Lumpur.
- Adam Smith (1776), *The Wealth of Nations*. (E. Cannan Ed., 1904), Vol. 2. New York.
- Adams, J. S. (1965). 'Inequity in Social Exchange', in L. Berkowitz (ed.), *Advances in Experimental Social Psychology*, Vol. 2., pp. 267-299.
- Ahmad, A. S. (1982). *The Political Structure of Malaysia in the Political Economy of Malaysia*, Kuala Lumpur.
- Ahmad, Z. (1989). *Kerajaan dan Rakyat*. DBP:Kuala Lumpur.
- Alias, B. (1994). *Contribution of Assessment Rates to Revenues of Local Government in Malaysia*. Seminar Kerajaan Tempatan, Peranan dan Sumbangan Pihakberkuasa Tempatan Daalam Pembangunan Negara', 15-16 Disember 1994, Hyatt Ragency, Johor Bharu, Anjuran Jabatan Pengurusan Harta, Fakulti Ukur dan Tanah, UTM dan Jabatan Penilaian dan Pengurusan Harta, Majlis Bandaraya Johor Bahru.
- Allen Report (1965). *A Report of a Committee of Inquiry into the Impact of Rates on Households, chaired by Professor R. G. D. Allen*, CBE, HMSO, Cmnd 2582.
- Allen, H. J. B. (1990). *Cultivating The Grass Roots - Why Local Government Matters*. International Union of Local Authorities, AIILSG.
- Alm, J. (1991). 'A Perspective on the Experimental Analysis of Taxpayer Reporting'. *The Accounting Review*, Vol. 2. pp. 577-593.

- Alreck, P. L. and Settle, R. B. (1995). *The Survey Research Handbook*. 2nd Edition, Boston: Irwin.
- Angle, H. L. and Perry, J. I. (1981). 'An Empirical Assessment of Organisational Commitment and Organisational Effectiveness'. *Administrative Science Quarterly*, Vol. 26. March, pp.1-14.
- Atory, H. (1991). *Kerajaan Tempatan: Teori dan Peranan di Malaysia*. DBP: Kuala Lumpur.
- Audit Commission (1994). *Now the Good News: The First Year of The Council Tax*. London.
- Audit Commission (1995). *Improving Value for Money in Local Government: A compendium of good practice from Audit Commission value for money reports*. HMSO, London.
- Balian, E. S. (1982). *How to Design, Analyse, and Write Doctoral Research: The Practical Guidebook*. University Press of America.
- Barjoyai Bardai (1991). *Evaluation of the 1988 Malaysian Tax Reform Proposals - A General Equilibrium Approach*. Thesis Submitted for the Degree of Doctor of Philosophy to the University of London.
- Barjoyai Bardai (1993). *Malaysian Tax Policy: Applied General Equilibrium Analysis*. Pelanduk Publications, Petaling Jaya.
- Barnett, Levaggi and Smith (1991). 'Accountability and Poll Tax'. *Financial Accountability and Management*, Vol. 7. pp. 209-228.
- Barnett, R. R. and Knox, C. (1992). 'Accountability and Local Budgetary Policy: Unitary Principles?' *Policy and Politics*, Vol. 20, No. 4., October.
- Barnett, R. R., (1990). 'Fair Local Taxation'. *Public Money and Management*, Vol. 10 No. 4, Winter, pp. 63-69.
- Barr, N. A., James, S. R. and Prest, A. R. (1977). *Self-Assessment for Income Tax*. Heinemann, London.
- Beaglehole, J. H. (1976). *The District - A Study in Decentralisation in West Malaysia*. Hull Monographs on South East Asia No. 6, Oxford University Press.
- Becker, G. S. (1967). 'Crime and Punishment: An Economic Approach'. *Journal of Political Economy*, 78(2), pp. 169-217.
- Beer, M., Spector, B., Lawrence, P., Mills, D. and Walton, R. (1984). *Managing Human Assets*. The Free Press, New York.
- Berita Harian, Tuesday, May (1996). '*Laporan Kewangan Majlis Tempatan*'.

- Bird, P. (1973). *Accountability: Standards in Financial Reporting*. Haymarket Publishing.
- Bird, R. M. (1993). 'Public Finance in Developing Countries', in *Current Issues in Public Sector Economics*, Edited by Jackson, P. M., MacMillan.
- Bonner, S., Davis, J. and Jackson, B. (1992). 'Expertise in Corporate Tax Planning: The Issue Identification Stage'. *Journal of Accounting Research*, Vol. 30 (supplement), pp. 1-28.
- Brignall, S. (1993). 'Performance Measurement and Change in Local Government: A General Case and a Children Application'. *Public Money and Management*, Vol. 13., No. 4. October - November, pp. 41- 50.
- Brignall, T. J. *et al.* (1991). 'Product Costing In Service Organisations'. *Management Accounting Research* 2.
- Brignall, T. J., Fitzgerald, L., Johnston, R., and Silvestro, R. (1992). 'Linking Performance Measures and Competitive Strategies In Service Businesses: Three Case Studies,' In Drury, C. (eds.), *Management Accounting Handbook*, Butterworth, Heinemann 1992.
- Broussine, M. and Wakefield, R. (1997). 'Quality Defined by Public Service Users - The Case of the Avon Probation Service'. *Public Money and Management*, CIPFA, January - March, pp. 27-34.
- Brown, R. B. (1990). Organisational Commitment and Its Effects on Behaviour. Ph.D. Dissertation, University of Massachusetts. Ann Arbor: UMI Dissertation Services.
- Buchanan, B. (1974). 'Building Organisation Commitment: The Socialisation of Managers in Work Organisations'. *Administrative Science Quarterly*, Vol. 19. pp. 533-546.
- Campbell, D. T. and Stanley, J. C. (1963). *Experimental and Quasi-experimental Designs for Research*. Rand McNally, Chicago, Ill.
- Cannan, E., (1927). *History of Local Rates in England*. King, London.
- Chahl, L. S. (1988). *Present Status and Future Improvements of the Local Government Financial System - A Local Authority Perspectives*, in Proceedings of the Seminar on Local Financial Equalisation System, 5-6 September 1988, Strawberry Park Resort, Cameron Highland, Malaysia.
- Christensen, A. L., Weihrich, S. G. and Newman, M. D. G. (1994). 'The Impact of Education on Perceptions of Tax Fairness'. *Advances in Taxation*, Vol. 6, pp. 63-94.

- Chun, D. H. and Linneman (1985). 'An Empirical Analysis of the Determinants of Intrajurisdictional Property Tax payment Inequities'. *Journal of Urban Economics*, 17, pp. 90-102.
- CIPFA (1995). *Financial Reporting in Local Government. Block 1: Background and Framework*. CIPFA, London.
- Cochrance, A. (1993). *Whatever Happened to Local Government?*. Open University Press, Buckingham.
- Cohen, L. and Holliday, M. (1996). *Practical Statistics For Student*. Chapman, London.
- Collins, W., Keenan, D. and Lapsley, I. (1982). *Local Authority Financial Reporting - Communication, Sophistry or Obfuscation*. The Chartered Institute of Public Finance and Accountancy.
- Coombs, H. M. and Edwards, J. R. (1996). *Accounting Innovation: Municipal Corporations 1835-1935*. Garland Publishing Inc., London.
- Coombs, H. M. and Jenkins, D.E. (1991). *Public Sector Financial Management*. Chapman and Hall.
- Coombs, H. M. and Tayib, M. (1996). 'Local Government Finance in a Tiger Economy: The Malaysian Experience'. Unpublished working paper.
- Coombs, H. M. and Tayib, M. (1997). 'Financial Reporting Practices: A Comparative Study Between The UK and Malaysian Local Authority', in Proceeding of the 6th CIGAR CONFERENCE Comparative International Governmental Accounting Research Local Government Accounting, Milan, Italy, June 5th - 6th.
- Cooper, H. M. (1989). *Integrating Research: A Guide for Literature Reviews*. 2nd. Edition, Applied Social Research Methods Series, Vol. 2., SAGE, London.
- Coopers and Lybrand (1978). *Financial Disclosure Practices of the American Cities: Closing the Communications Gap II*. New York, Coopers and Lybrand.
- Copeland, R. M. and Ingram, R. W. (1983). *Municipal Financial Reporting and Disclosure Quality*. Addison-Wesley, London.
- Cowell, F. A. (1990). *Cheating the Government*. Cambridge, MA, MIT Press.
- Cox, E. P. (1979). *Marketing Research: Information for Decision Making*. Harper and Row, New York.
- Datuk Kam U-Tee, *When Customer is Willing to Pay* (a letter to editor), The Star, June 17, 1996.

- Davis, G. B. (1972). *A Systematic Approach For Managing a Doctoral Thesis*. European Institute for Advanced Studies in Management, Working Paper 72-38, October.
- De Vaus, D. A. (1991). *Surveys in Social Research*. 3rd Edition, Allen and Unwin, London.
- Dixon, B. R., Bouma, G. D. and Atkinson, G. B. J. (1987). *A Handbook of Social Science Research*. Oxford University Press, New York.
- Dornstein, M. (1987). 'Taxes: Attitudes and Perceptions and Their Social Bases'. *Journal of Economics Psychology*, 8, pp. 55-76.
- Drebin, A. R., Chan, J. L. and Ferguson, L. C. (1981). *Objectives of Accounting and Financial Reporting for Governmental Units: A Research Study*. Vol. 1 and II, National Council on Governmental Accounting, Chicago.
- Drucker, P. F. (1973). *Management*. Harper and Row Inc., New York.
- Dunleavy, P. (1991). *Democracy Bureaucracy and Public Choice*. Herts: Harvester Wheatsheaf.
- Fischer, C. M. (1991). *Perceived Detection Probability and Taxpayer Compliance: A Conceptual and Empirical Examination*. Dissertation Proposal, The Pennsylvania State University.
- Fischer, C. M., Wartick, M. and mark, M. M. (1992). 'Detection Probability and Taxpayer Compliance: A Review of the Literature'. *Journal of Accounting Literature*, Vol. 11, pp. 1-46.
- Fitzgerald, L., Johnston, R., Brignall, T. J., Silverstro, R. and Voss, C. (1991). 'Performance Measurement In Service Business'. *Management Accounting Research*, CIMA, London.
- Fitzgerald, L., Johnston, R., Silvestro, R., and Voss, C. (1991). 'Developing the Determinants of Service Quality'. Working Paper, University of Warwick.
- Foster, C. D., Jackman, R. A. and Perlman, M. (1980). *Local Government Finance in a Unitary State*. London, Allen & Unwin.
- Fowler F. J. Jr., (1974). *Citizen Attitudes Toward Local Government, Services and Taxes*. Ballinger, Cambridge.
- Frankkfort-Nachmias, C. and Nachmias, D. (1996). *Research Methods in the Social Science*. 5th Edition, St. Martin's Press, London.
- Gelinas, U. J., Oram, A. E. and Wiggins, W. P. (1990). *Accounting Information Systems*. PWS-KENT, Boston.

- Gibb, K. (1992). 'The Council Tax: The Distributional Implications of Returning to a Tax on Property'. *Scottish Journal of Political Economy*, Vol. 39. No. 3. August.
- Gibson, J. (1990). *The Politics and Economics of the Poll Tax: Mrs Thatcher's Downfall*. EMAS Ltd, Warley, West Midlands.
- Gill, J. and Johnson, P. (1997). *Research Methods for Managers*. 2nd. Edition, PCP, London.
- Gillie, A. (1992). *Economics and Government Policy*, Units 5 and 6 The British Tax System. Open University.
- Government Accounting Standards Board (GASB) (1987). 'Concepts Statement No. 1: Objectives of Financial Reporting'. Norwalk Conn., GASB.
- Green, S. (1996). 'Compliance Costs: The Need for Reappraisal', in *Striking the Balance: Tax Administration, Enforcement and Compliance in the 90's*, Edited by Gammie, M. and Skipwright, A., The Institute For Fiscal Studies, March, pp.129-241.
- Hajah Mustafa, M. H. (1996). *An Evaluation of the Malaysian Tax Administrative System, and Taxpayers' Perceptions Towards Assessment Systems, Tax Law Fairness, and Tax Law Complexity*. Ph.D. Dissertation, Universiti Utara Malaysia.
- Hamilton, B. W. (1976). 'The Effects on Property Taxes and Local Public Spending on Property Values: A Theoretical Comment'. *Journal of Political Economy*, 86, 3, pp. 47-50.
- Hamilton, B. W. (1983). 'A Review: Is the Property Tax a Benefit Tax?' in *Studies in Urban Economics Local Provision of Public Services: The Tiebout Model After 25 years* edited by George R. Zochrow, London.
- Hancox, A., Worrall, L. and Pay, J. (1989). 'Developing a Customer Orientated Approach to Service Delivery: The Wrekin Approach'. *Local Government Studies*, Vol. 15, No.1 pp. 16-25.
- Hatry, Harry, P., (1974). 'Measuring the Quality of Public Services', in Willis D Hawley and David Rogers (eds.), *Improving the Quality of Urban Management*. Bervely Hills Cal. Sage.
- Heady, C. (1993). 'Optimal Taxation as a Guide to Tax policy: A Survey'. *Fiscal Studies*, Vol. 14, No. 1., pp. 15-41.
- Healey, J. F. (1996). *Statistics: A Tool for Social Research*. 4th Edition, Wadsworth Publishing Co., London.

- Hizam, Raja B. (1991). *The Rateable hereditaments and Community Charge System, A Comparative Study of Britain and Malaysia*. Thesis (M.Phil) Polytechnic of Wales.
- Hizam, Raja B., Frances Plimmer and Stuart Gronow, (1990). 'Current Problems of the Rating System in Malaysia.' *The Surveying Technician*, December/January.
- Hizam, Raja B., Frances Plimmer and Stuart Gronow, (1994). 'Rating In Malaysia: Current Problems and Possible Solutions.' *Journal of Property Tax Assessment and Administration*, Vol. 1, No.1, September.
- HMSO (1901). Royal Commission on Local Taxation. Cmnd. 638, London.
- HMSO (1981). Alternatives to Domestic Rates, Cmnd. 8449. London.
- Hockley, G. C. (1992). *Fiscal Policy: An Introduction*. Routledge, London.
- Holtham, C. W. and Stewart, D. D. (1981). *Value for Money: A Framework for Action* INLOGOV. Birmingham.
- Hussey, J. and Hussey, R. (1997). *Business Research; A Practical Guide for Undergraduate and Postgraduate Students*. MacMillan, London.
- Ingraham, P. W. (1996). 'Evolving Public Service Systems', in *Handbook of Public Administration*, 2nd Edition, Edited by Perry, J. L., Jossey-Bass Publishers, p.375-391.
- Ingram, R. W. and Copeland, R. M. (1981). 'Municipal Accounting Information and Voting Behavior'. *The Accounting Review*, Vol. VI. No. 4. October.
- Ishi, H. (1993). *The Japanese Tax System*. Clarendon Press, Oxford.
- Ismail, M. A. (1987). 'Dasar Komputerisasi di Penguasa-Penguasa Tempatan', in Proceeding of the Seminar Komputerisasi Penguasa-Penguasa Tempatan, March 3-5.
- Ismail, M. A. (1989). 'Local Government Restructuring In Peninsular Malaysia: A Review of a Local Authority Function and Capacity'. *Planning and Administration*.
- Ismail, M. A. (1990). *Ke arah Autonomi Kewangan - Masalah dan Cabaran yang dihadapi oleh Kuasa-kuasa Tempatan*. Kementerian Perumahan dan Kerajaan Tempatan.
- Ismail, M. A. (1991). *Pengurusan Kewangan Pihakberkuasa Tempatan - Satu Pendekatan Baru*, in Proceeding of the Bengkel Peringkat Tinggi Pengurusan Belanjawan Pegawai-Pegawai Negeri dan Pihakberkuasa Tempatan, anjuran bersama Kementerian Perumahan dan Kerajaan Tempatan dan INTAN, March 13 - 15.

- Ismail, Z. (1984). 'Kadaran dan Langkah-langkah Menyediakan Senarai Nilai', Kajian Kes: Majlis Perbandaran Kuantan.
- Jackson, B. R. and Milliron, V. C. (1986), 'Tax Compliance Research, Findings, Problems and Prospects'. *Journal of Accounting Literature*, 5, pp. 125-161.
- Jackson, P. M. (1994). *Efficient Local Government Finance: The Never Ending Story*. In *Towards Restructuring: The Dimensions of Change in Local Government* (eds. Terry, F.) A Public Finance Foundation Reader, CIPFA, London, pp. 55-62.
- Jackson, P. M. (1982). 'The Impact of Economic Theories on Local Government Finance.' *Local Government Studies*, Vol. 8. No. 1.
- Jackson, P. M. (1982a). *The Political Economy of Bureaucracy*. Philip Allen, London.
- Jackson, P. M. and Palmer, B. (1989). *First Steps in Measuring Performance in the Public Sector: A Management Guide*. Public Finance Foundation, London
- Jeyapalan, K. and Bala, S. (1996). *Malaysian Taxation: Administration, Investigation, and Compliance*. Pelanduk Publications, Petaling Jaya.
- Jones, D. B., Scott, R. B., Kimbro, L. and Ingram, R. (1985). *The Needs of Users of Governmental Reports*. GASB of the Financial Accounting Foundation.
- Jones, R. H. (1982). 'Financial Reporting in Non-business Organisations'. *Accounting and Business Research*, No. 48. Autumn.
- Joo Sim, L. G. (1996). *Dapatkah Cukai Taksiran Menampung Pendapatan Pihakberkuasa Tempatan dan Apakah Cara Untuk Mengurangkan Masalah Tunggalan*, Seminar Perakaunan Pihakberkuasa Tempatan SeMalaysia, bahagian Kedua, 8 dan 9 Julai 1996.
- Kaplan, S. E., Reckers, P. M. J., West, S. G. and Boyd, J. C. (1988). 'An Examination of Tax Reporting Recommendations of Professional Tax Preparers'. *Journal of Economic Psychology*, Vol. 9. pp. 427-443.
- Kay, J. A. and King, M. A. (1980). *The British Tax System*. Oxford University Press, London.
- Kay, John (1987). 'The Rationale of Taxation', *Oxford Review of Economics Policy*. Vol. 2. No. 2, pp.1-6.
- Kelly, P. L. and Oldman, O. (1973). *Readings on Income Tax Administration*, (Edited), The Foundation Press Inc., Mineola, New York.
- Kerlinger, F. N. (1973). *Foundations of Behavioural Research*. 2nd. Edition, New York.

- Kilgour, L. and Lapsley, I. (1988). *Financial Reporting by Local Authorities in Scotland*. The Chartered Institute of Public Finance and Accountancy.
- Knox, C. and Barnett, R. R. (1992). 'Accountability and Local Budgetary Policy.' *Policy and Politics*, Vol. 20. No. 4. October, pp. 265-276.
- Kop, M. (1989). 'Local Revenue in Malaysia'. Ministry of Housing and Local Government.
- Layfield Committee (1976). *Report of the Committee of Inquiry into Local Government Finance*. Cmnd 6453, London, HMSO.
- Longley, P., Higgs, G. and Martin, D. (1996), 'The Rates Revisited? A Geographical Reassignment of Property Valuations and Local Tax Burdens Under the Council Tax.' *Government and Policy*, Volume 14, pp. 101-120.
- Lynn, P. (1996a). 'Principles of Sampling, in Research Methods: Guidance for Postgraduates' edited by Greenfield, T., Arnold, London, pp. 127-136.
- Lynn, P. (1996b). 'Sampling in Human Studies, in Research Methods: Guidance for Postgraduate's edited by Greenfield, T., Arnold, London, pp. 137-143.
- Manfred Kops, (1988). *Imbalances in the Vertical and Horizontal Distribution of the Local Revenues in Malaysia*, in Proceedings of the Seminar on Local Financial Equalisation System, 5-6 September 1988, Strawberry Park Resort, Cameron Highland, Malaysia.
- Market and Opinion Research International (MORI) (1986). *Attitudes to Local Authorities and Their Services*. A Research Study Conducted for the Audit Commission.
- Marsh, R. M. and Mannari, H. (1977). 'Organisational Commitment and Turnover: A Prediction Study,' *Administrative Science Quarterly*, Vol. 22, March, pp. 57-75.
- Marsland, N. W. (1985). *Public Sector Accounting and Control*. Longman, London.
- Martin, C. and Powell, P. (1992). *Information System: A Management Perspective*, McGraw Hill, Berkshire.
- Maschmeyer, R. A. and Daniker, R. P. V. (1979). 'Financial Information Needs of State and Local Officials'. *Governmental Finance*, November.
- Mayston, D. (1992). 'Financial Reporting in the Public Sector and the Demand for Information.' *Financial Accountability and Management*, 8(4), Winter, pp. 317-324.
- Meade Report (1978). A Report of a Committee Chaired by Professor J. E. Meade on *The Structure and Reform of the Direct Taxation*. IFS, London.

- Mikesell, J. L. (1974). 'Administration and the Public Revenue System: A View of Tax Administration'. *Public Administrative Review*, Vol. 34. pp. 615-624.
- Mikesell, J. L. (1996). 'Designing and Administering Government Revenue Systems' in *Handbook of Public Administration*, 2nd Edition, Edited by Perry, J. L., Jossey-Bass Publishers, San Francisco, pp. 311-331.
- Miller, C. D. (1983). *Handbook of Research Design and Social Measurement*. 4th Edition, Longman, London.
- Ministry of Finance of Malaysia (1994). *Economic Report 1994/1995*. Kuala Lumpur.
- Ministry of Housing and Local Government (1985). *Briefing Notes On Local Government Division*.
- Ministry of Housing and Local Government (1989). *An Outline of the Local Government System in Malaysia*.
- Ministry of Housing and Local Government (1991). *Briefing Notes On Local Government Division*.
- Mitchell, F. (1982). 'Communicating Financial Information - The Private Sector Experience.' *Local Government Studies*, March/April, pp. 1-10.
- Morris, T. (1989). 'Information Technology: Servant or Master.' *Public Money and Management*, CIPFA, Summer, pp. 35-39.
- Mowday, R. T., Porter, L. W. and Dubin, R. (1974). 'Unit Performance, Situational Factors and Employee Attitudes in Spatially Separated Work Units'. *Organizational Behaviour and Human Performance*, Vol. 12. pp. 231-248.
- Mowday, R. T., Porter, L. W. and Steers, R. M. (1982). *Employee-Organization Linkages: The Psychology of Commitment, Absenteeism, and Turnover*. Academic Press, San Diego.
- Mowday, R. T., Steers, R. M. and Porter, L. W. (1979). 'The Measurement of Organizational Commitment.' *Journal of Vocational Behaviour*, Vol. 14. pp. 224-247.
- Muellbauer, J. (1987). 'The Community Charge, Rates, and Tax Reform.' *Lloyds Bank Review*, No. 166, pp7-20.
- Musgrave, R. A. and Musgrave, P. B., (1980). *Public Finance in Theory and Practice*. 3rd Ed. McGraw Hill, London. (Chp21/3.)
- Musgrave, R. A. and Peacock, A. T. (1958), *Classics in the Theory of Public Finance*. (edited), Macmillan, London.

- Musgrave, R. A. (1959). *The Theory of Public Finance: A Study in Public Economy*. McGraw Hill, London.
- Musgrave, R. A. (1994). Progressive Taxation, Equity and Tax Design, in Slemrod, J. B., Yax Progressity and Income inequity, Edited, Cambridge, University Press.
- Nahappan Committee (1970). *Report of the Royal Commission of Enquiry to Investigate into Working of Local Authorities in West Malaysia*. Jabatan Pecetakan Kerajaan, Kuala Lumpur
- Nash, J. F. and Heagy, C. D. (1993). *Accounting Information System*. 3rd Edition, South-Western Publishing Co., Ohio.
- Nelson, C. (1996). *TQM and ISO 9000 for Architects and Designers*. McGraw Hill, London.
- Neter, J., Kutner, M. H., Nachtsheim, C. J. and Wasserman, W. (1996). *Applied Linear Statistical Models*. 4th Edition, IRWIN, Chicago.
- Norris, M. W. (1980). *Local Government in Peninsular Malaysia*. Gower, Hants, England.
- Norusis, M. J. (1996). *SPSS 6.1 Guide to data Analysis*. Prentice Hall, New Jersey.
- Norusis, M. J. (1997). *SPSS 7.5 Guide to data Analysis*. Prentice Hall, New Jersey.
- O' Brien Report (1982). *1st Report of the Commission on Taxation - Direct Taxation* chaired by Miriam Hederman O'Brien.
- Oates, W. E. (1969). 'The Effects of Property Taxes and Real Estate Spending on Property Values: An Empirical Study of the Capitalisation and the Tiebout Hypothesis.' *Journal of Political Economy*, Vol. 77., pp. 957-970.
- Oates, W. E. (1972). *Fiscal Federalism*. Harcourt Brace Jovanovich, New York.
- Okun, A. M. (1975). *Equity and Efficiency, The Big Trade-off*. Brookings Institute.
- Oldman, O. (1965). 'Controlling Income Tax Invasion: The Design and Use of a Penalty System', in *Readings on Income Tax Administration* edited by Kelly, P. L. and Oldman, O. (1973). The Foundation Press Inc., Mineola, New York. Chapter C, pp. 485- 510.
- Oppenheim, A. S. N. (1992), *Questionnaire Design, Interviewing and Attitude Measurement*. New Addition, Pinter Publishers, London.
- Orna, E. and Stevens, G. (1995). *Managing Information for Research*. Open University Press, Buckingham.

- Owens, J. (1992). 'Financing Local Government: An International Perspective with Particular Reference to Local Taxation', in *Local Government Economics in Theory and Practice*, Edited by King, D., Routledge, London.
- Parasuraman, A., Zeithaml, A. and Berry, L. (1988). 'SERVQUAL. a multiple-item for measuring consumer perceptions of service quality.' *Journal of Retailing*, Spring.
- Parasuraman, A., Zeithaml, V. A. and Berry, L. L (1985). 'A Conceptual Model of Service Quality and Its Implications for Future Research.' *Journal of Marketing*, Vol. 49, Fall, pp. 41-50.
- Pendlebury, M., Jones, R. and Karbhari, Y. (1994). 'Developments in the Accountability and Financial Reporting Practices of Executives Agencies.' *Financial Accountability and Management*, Vol. 10. No. 1., February, pp. 33-46.
- Phang, S. N. (1985). '*The Aftermath of Local Government Restructuring in West Malaysia, The Experience of Penang Island and Klang Municipalities*'. Ph.D. Thesis, University of Birmingham.
- Phang, S. N. (1989). *Sistem Kerajaan Tempatan Di Malaysia*. DBP, Kuala Lumpur.
- Phang, S. N. (1990). Isu dan Masalah dalam Pengurusan Kerajaan Tempatan: Meningkatkan Prestasi Kerajaan Tempatan. *Seminar Productivity dan Mutu Pihakberkuasa Tempatan*, September 1990.
- Phang, S. N., Stephen, C. and Siti Rohani, Y., (1988). *Local Authority Functions and Service Performance*, in Proceedings of the Seminar on Local Financial Equalisation System, 5-6 September 1988, Strawberry Park Resort, Cameron Highland, Malaysia.
- Phillips, E. M. and Pugh, D. S. (1993). *How To Get A Ph.D.: A Handbook for Students and their Supervisors*. UBSPD, London.
- Pigou, A. C. (1928). *A Study in Public Finance*. Macmillan, London.
- Pilay, S. And Tan, H. N. (1985). Financial Management of Municipal Councils. Local Government Division, Ministry of Housing and Local Government.
- Porcana, T. (1984). 'Distributive Justice and Tax Policy.' *The Accounting Review*, October, pp. 619-636.
- Porter, L. W., Steers, R. M. and Mowday, R. T. (1974). 'Organisational Commitment, Job Satisfaction, and Turnover Among Psychiatric Technicians'. *Journal of Applied Psychology*, Vol. 59., No. 5., pp. 603-609.
- Post, D. B. and Hochberg, S. I. (1989). 'Improving Collection Practices at a Troubled Company'. *Journal of Accountancy*, September, pp. 133-139.

- Prud'homme, R. and Navarre, F. (1992). 'Property Taxation in France', in *Local Government Economics in Theory and Practice*, Edited by King, D., Routledge, London.
- Putnam, K. and Zlatkovich, C. P. (1993). 'State and Local Tax Trends: An Analysis of Revenue from Property, Income, Sales and Other Taxes'. *Government Accountants Journal*, Fall, p. 49-59.
- Pyle, D. J. (1993). 'The Economics of Taxpayer Compliance', in *Current Issues in Public Sector Economics*, Edited by Jackson, P. M., MacMillan.
- Rapp, B. W. and Patitucci, F. M. (1977). *Managing Local Government For Improved Performance - A Practical Approach*. Western-view Press, Inc.
- Ridge, M. and Smith, S. (1990). *Local Government Finance: The 1990 Reforms*. IFS: Commentary No. 22. April.
- Ridge, M. and Smith, S. (1991). *Local Taxation: The Options and the Argument*. IFS: Report Series No. 38. May.
- Rijal, O. (1991). *Peraturan dan Undang-Undang yang Berkaitan dengan Peraturan Kewangan serta Mekanisma-Mekanisma Pengurusan Kewangan di Pihakberluasa Tempatan*, in Proceeding of the Bengkel Peringkat Tinggi Pengurusan Belanjawan Pegawai-Pegawai Negeri dan Pihakberkuasa Tempatan, anjuran bersama Kementerian Perumahan dan Kerajaan Tempatan dan INTAN, March 13 - 15.
- Robinson, L. A., Davis, J. R. and Alderman, C. W. (1982). *Accounting Information Systems*. Harper and Row, New York.
- Rogers, S. (1990). *Performance Management in Local Government*. Longman, London.
- Roscoe, J. T. (1975). *Fundamental Research Statistics for the Behavioural Sciences*. 2nd Ed., Holt, Rinehart and Winston Inc., New York.
- Rowen, H. S. (1969). 'Planning for Efficiency in Tax Administration', in *Readings on Income Tax Administration* edited by Kelly, P. L. and Oldman, O. (1973). The Foundation Press Inc., Mineola, New York. Chapter C, pp. 95-100.
- Rutherford, B. A. (1996). 'The Structure and Content of Executive Agency Financial Statement.' *Financial Accountability and Management*, Vol. 12., No. 1., February, pp. 1-20.
- Ryan, B., Scapens, R. W. and Theolald, M. (1992). *Research Method and Methodology in Finance and Accounting*. Academic Press, London.
- Sabel, C. (1982). *Work and Politics*. Cambridge, Cambridge University Press.

- Samihah, K., Rusniah, A., Khulida, K. Y. And Abdullah, J. H. (1994). *Penilaian Prestasi Penguasa Tempatan: Kajian Kes di Kuala Muda dan Kubang Pasu*. Unpublished working paper.
- Sandford, C. (1984). *Economics of Public Finance*. 3rd. Ed. Oxford. Pergamon Press.
- Sandford, C. (1973). *The Hidden Costs of Taxation*. The Institute For Fiscal Studies.
- Sandford, C. (1989). 'What It Costs To Pay Tax'. *Accountancy*, February, pp. 140-142.
- Sandford, C. (1992). *Economics of Public Finance: An Economic Analysis of Government Expenditure and Revenue in the United Kingdom*. 4th Edition, Pergamon Press, Oxford.
- Sandford, C., Godwin, M. R. and Hardwick, P J. W. (1989). *Administrative and Compliance Costs of Taxation*. Bath, Fiscal Publication.
- Schisler, D. L. (1995). 'Equity, Aggressiveness, Consensus: A Comparison of Taxpayers and Tax Preparers.' *Accounting Horizons*, Vol. 9. No. 4. December, pp.76-87.
- Sekaran, Uma. (1992). *Research Methods for Business: A Skill Building Approach*. 2nd Edition, John Wiley and Sons, Inc., New York.
- Shamsuddin, M. S. (1990). 'Ke arah Memperkukuhkan Lagi Sumber Kewangan Penguasa-penguasa Tempatan', in Proceeding of the Seminar Pengurusan Kerajaan Tempatan, Anjuran Kementerian Perumahan dan Kerajaan Tempatan dan Public Bank, Port Dickson, March 23 - 25.
- Shields, M. D., Solomon, I. And Jackson, D. K. (1995). 'Experimental Research on Tax Professional's Judgement and Decision Making', in *Behavioural Tax Research: Prospects and Judgement Calls*, Edited by Davis, J. S., pp. 77-126.
- Shin, D. C., (1977). 'The Quality of Municipal Services: Concept, Measure and Results.' *Social Indicators Review* 4, pp. 207 -229.
- Shoup, C. S., Due, J. F., Fitch, L. C., MacDougall, D., Oldman, O. and Surrey, S. S. (1959). 'The Fiscal System of Venezuela'. in *Readings on Income Tax Administration* edited by Kelly, P. L. and Oldman, O. (1973). The Foundation Press, Inc. Mineola, New York. Chapter. E., pp. 163-186.
- Siegel, S. (1956), *Non-parametric Statistics for the Behavioural Sciences*. McGraw Hill, NY.
- Simon, H. (1994). The Criterion of Efficiency, in *Public Sector Management: Theory, Critique and Practice*. Edited by Mellevitt, D. and Lawton, A., Open University,, Sage Publication, London, pp. 37-53.

- Siti Mariam Che Ayub (1994). *Tax Administrative Reform for the Malaysian Inland Revenue Department with an Adaptation of the Voluntary Tax Compliance Function*. A Dissertation Submitted to Golden Gate University in Candidacy for the Degree Doctor of Public Administration.
- Slemrod, J. and Sorum, N. (1984) 'The Compliance Cost of the US Individual Income Tax System.' *National Tax Journal*, Vol. XXXVII, No. 4., pp.461-474.
- Slemrod, J. B. (1994). *Tax Progressivity and Income Inequality*. (edited), Cambridge University Press.
- Smith, W. H. (1969). 'Automation in Tax Administration', in *Readings on Income Tax Administration* edited by Kelly, P. L. and Oldman, O. (1973). The Foundation Press, Inc. Mineola, New York. Chapter. A., pp. 444-447.
- Song, Young-dahl and Yarbrough, T. E. (1978). 'Tax Ethics and Taxpayer Attitudes: A Survey, *Public Administration Review*.' September/October, pp. 442-452.
- Spicer, M. W and Becker, C. A. (1980). *Fiscal Inequity and Tax Evasion. An Experimental Approach*, *National Tax Journal*, Vol. 3 No. 3, pp.171-176.
- Spicer, M. W. and Becker, L. A. (1980). 'Fiscal Inequity and Tax Evasion: An Experimental Approach'. *National Tax Journal*, Vol. 33. No. 2., pp. 171-175.
- Surrey, S. S. (1965). 'Automatic Data Processing and Tax Administration: The Potentialities of ADP and factors Involved in Its Adoption', in *Readings on Income Tax Administration* edited by Kelly, P. L. and Oldman, O. (1973). The Foundation Press, Inc. Mineola, New York. Chapter. E., pp. 163-186.
- Surrey, S. S. (1975). 'Tax Administration in Underdeveloped Countries' in *Readings on Taxation in Developing Countries*, 3rd Edition, Edited by Bird, R. M. and Oldman, O., John Hopkins University Press, London, pp. 379-499.
- Tayib, M. (1994). 'Pembiayaan Dalaman Untuk Pihakberkuasa Tempatan'. *Akuantan Nasional*, Vol. V. No. 11-12, November-Disember, pp. 11-15.
- Tayib, M. (1995). *Local Government Financing in Peninsular Malaysia*. A Research Report Submitted to Ministry of Science, Technology and Environment of Malaysia.
- The Canadian Institute of Chartered Accountants (CICA) (1986). *Local Government Financial Reporting*, Canada.
- The Star, January 1997. 'Local Authority's Financial Reports and Accounts'.
- Thibaut, J., Friendland, N. and Walker, L. (1974), 'Compliance with Rules: Some Social Determinants'. *Journal of Personality and Social Psychology*, Vol. 30.

- Thomas, R. (1996). Survey, in *Research Methods: Guidance for Postgraduates*. Edited by Greenfield, T., Arnold, London, pp.115-124.
- Tiebout, C. (1956). 'A Pure Theory of Local Expenditures', *Journal of Political Economy* 65, pp.416-24.
- Tomkins, C. R. (1987). *Achieving Economy Efficiency and Effectiveness in Public Sector*. Institute of Chartered Accountants of Scotland, Edinburgh.
- Varian, H. R. (1976). 'Two Problems in the Theory of Fairness.' *Journal of Public Economic*, April/May, pp. 249-260.
- Wallace, J. E. (1995). 'Organisational and Professional Commitment in Professional and Non-professional Organisations'. *Administrative Science Quarterly*, Vol. 40., June, pp. 228-255.
- Walsh, K. (1991). 'Quality and Public Services'. *Public Administration*, Vol. 69, Winter, pp. 503-514.
- Walton, R. E. (1985). 'From Control to Commitment in the Workplace.' *Harvard Business Review*, No. 2, March-April, pp. 77-84.
- Williams, J. M. (1993), *Interviewer Approaches*. Dartmouth-Publisher Co. Ltd, London.
- Wood, S. and Albanese, M. T. (1995). 'Can We Speak of a High Commitment Management on the Shop Floor.' *Journal of Management Studies*, Vol. 32., No. 2., March, pp. 215-247.
- Yang, Chin-Wei, Means, D. B. and Moody, G. E. (1993). 'Tax Rates and Total Tax Revenues From Local Property Taxes'. *Public Finance Quarterly*, Vol. 21. No. 4. October, pp. 355- 377.
- Yin, R. K. (1984). *Case Study Research: Design and Methods*. Berverly Hills, Sage Publications.
- Young, K. (1986). *Attitudes to Local Government*, in Widdi Coombe Report Research Volume III, The Local Government Elector.

APPENDICES

Appendix 2.1: The Map of Peninsular Malaysia



Appendix 2.2: The Status of Local Authorities in Peninsular Malaysia

Table 2.2(a): Number and Types of Local Authority (before 1976)

State	City Council	Municipal Council	Town Council	Town Council NFA	Town Board	Town Board NFA	District Council	District Council NFA	Local Council	Total
Johor	-	-	8	-	-	-	-	-	86	94
Kedah	-	-	2	1	-	7	-	-	38	48
Kelantan	-	-	7	-	-	-	-	-	21	28
Melaka	-	1	-	-	-	-	-	3	-	4
N. Sembilan	-	-	1	1	2	4	-	-	11	19
Pahang	-	-	5	-	3	1	-	-	27	36
Perak	-	1	2	4	-	8	-	-	81	96
Perlis	-	-	1	-	-	1	-	-	2	4
P. Pinang	1	-	-	-	-	-	4	-	-	5
Selangor	1	-	1	-	1	8	-	-	24	35
Trengganu	-	-	-	4	-	2	-	-	7	13
Total	2	2	27	10	6	31	4	3	287	372

NFA = Non Financial Autonomous

Source: Nahappan Committee (1970). Report of the Royal Commission of Enquiry to Investigate into Working of Local Authorities in West Malaysia, Kuala Lumpur, Jabatan Percetakan Kerajaan.

Table 2.2(a): Number and Type of Local Authority (after 1976)

State	City Council	Municipal Council	District Council	Town Board	Rural District Council	Development Board	Local Authority
Johor	-	1	13	-	-	-	1
Kedah	-	1	10	-	-	-	-
Kelantan	-	1	11	-	-	-	-
Melaka	-	1	2	-	-	-	-
N. Sembilan	-	1	7	-	-	-	-
Pahang	-	1	9	1	-	-	-
Perak	1	1	13	-	-	-	-
Perlis	-	1	-	-	-	-	-
P. Pinang	-	2	-	-	-	-	-
Selangor	-	3	8	-	-	-	-
Trengganu	-	1	6	-	-	-	-
Wilayah Persekutuan	1	1	-	-	-	-	-

Source: Department of Statistics 1993

Appendix 2.3: List of Ministries and Their Departments

Ministry	Department
Agriculture	Department of Agriculture Department of Fisheries Department of Irrigation and Drainage Department of Veterinary Services
Culture, Arts and Tourism	National Archives of Malaysia
Defence	-
Domestic Trade and Consumer Affair	-
Education	Computer In Education Unit Curriculum Development Centre Institute of Language and Literature Universities Malaysian School on the Internet National Library
Energy, Telecommunication and Post	Department of Electricity & Gas Supply Department of Posts Department of Telecommunication
Entrepreneur Development	Department of Handicraft Development Corporation Pahang State Development Corporation Perak State Development Corporation Selangor State Development Corporation Penang Development Corporation Entrepreneur Information Centre
Finance	Treasury Department Royal Customs and Exercise Department Valuation and Property Services Department Accountant General Department
Foreign Affairs	-
Health	-
Home Affairs	Immigration Department
Housing and Local Government	Fire and Rescue Department Town and Country Planning Department
Human Resources	-
Information	Malaysian Information Department Radio Television Malaysia National Film Board
International Trade and Industry	-
Land and Co-operative Development	Department of Co-operative Development Department of Director General of Land and Mines Department Survey and Mapping
National Unity and Social Development	Department of Social Welfare Department of National Unity Department of Orang Asli Affairs Department of Women Affairs
Primary Industry	Forestry Department Geological Survey Department

Appendix 2.3 (Continued)

Prime Minister Department	Anti-Corruption Department Attorney General Department Audit Department Economic Planning Unit Election Commission Kuala Lumpur City Hall Islamic Development Department Official Assignee Department Parliament Department Public Services Department Statistics Department
Rural Development	-
Science, Technology and the Environment	Department of Chemistry Department of Environment Department of Standards Malaysia Department of Wildlife and National Parks
Transport	Road Transport Department Marine Department
Work	Public Work Department
Youth and Sports	-

Appendix 2.4: A List of Several Categories of Local Authority Services as stated in the Local Government Act, 1976.

Services	Responsibility	Specific Provisions
Public Places	Control and care of public places	Section 63
	Construct and make new public places and maintenance the existing public places	Section 64
	Temporarily close any public places that may not safe to the public	Section 65
	Raise and maintain in any open public place buildings for public purposes	Section 66
	Conditions and restrictions in regard to closure of any public street or public place	Section 67
	Naming the public places	Section 68
Pollution of Streams	Safeguard the public streams or bank of any stream from nuisance or littering	Section 69
	Safeguard the public streams from pollution of trade refuse	Section 70
Food, Markets, Sanitation and Nuisance	Establish, maintain and carry out sanitary services; manage markets and market buildings; licensed all properties that set-up for the sale or exposing for sale of food and drink within the locality; build and maintain public lavatories, abattoirs; safeguard and promote public health and take all necessary actions.	Section 72
	Rules, regulations and enforcement regarding cleanliness, nuisances, public health and etc.	Section 73 to 84
Burial Places, Crematoria and Exhumation	Local authority may provides burial grounds and crematoria and issue license for the same. Rules, regulations and enforcement regarding the above matter, such as proper place, illegal and etc	Section 94 to 100
Other Services	Plant, trim or remove trees; construct, maintain and supervise public parks, garden and recreation places; maintain historical buildings and places; lighting public places and streets; and other activities related to public within local authority area.	Section 101
Licensing for business	Granting any license or permit of any trade, occupation or premises related to business; Rules, regulations and enforcement related to the above activities.	Section 107 to 126

Appendix 2.5: Function and Responsibilities of Local Government

The statutory service provided by the local authority:

- a) Sanitary and cleansing
 - 1) refuse collection and disposal
 - 2) drain cleansing
 - 3) street sweeping
 - 4) grass cutting
 - b) Conservancy and sewage disposal
 - c) Cleanliness and beautification environment
 - d) Recreation, playing fields, parks and open spaces
 - e) Preparation of structure and local plans
 - f) Controlling the construction of roads, drains, and buildings community halls
 - g) Maintaining cemeteries, abattoirs and public latrines
 - h) Preserve public health,, public safety and abate nuisances
-

The non-statutory service provided by the local authority:

- a) Provision of housing for the poor
 - b) Job creation through commerce and industry
 - c) Health services and clinics
 - d) Libraries, sport stadium and swimming pools
 - e) Urban transport services
-

Appendix 2.6: Comparison of Activities and Services of the UK and Malaysian Local Authority

Table 2.6 (a): Activities and Services of Local Authorities in the UK and Malaysia

Major Activity/Service	United Kingdom*	Malaysia
Education	Local Authority	Central Government; State Government and Private Sector
Social Services	Local Authority	State and Central Government
Roads and Highways	Local Authority	Private Sector and Central Government
Leisure	Local Authority	Local Authority
Waste Collection and Disposal	Local Authority	Local Authority (up to 1997 only) Private Sector (from 1998 onward)
Sewage systems	Local Authority	Private Sector (from 1994)
Planning and Development	Local Authority	Local Authority
Libraries	Local Authority	Local Authority
Environmental and Public Health	Local Authority	Central and State Government Local Authority (very minimum)
Public Transport	Local Authority	Private Sector
Consumer Protection	Local Authority	Central Government
Economic Development	Local Authority	State and Central Government

- Some services are subject to competitive tender and may therefore be run by the private sector but monitored by the local authority.

Source: Coombs and Tayib, (1997) 'Financial Reporting Practice: A Comparative Study of Local Authority Financial Reports between the UK and Malaysia', Paper Presented at the 6th CIGAR Conference, Milan, Italy, June.

Table 2.6(b): The Main Responsibilities of the Local Government in the UK

County	District	Parish
Education	Refuse Collection	Street lighting
Highways	Housing	Footpaths
Police	Planning (development plan)	
Social Services (e.g. homes for the elderly and handicapped)	Recreation (swimming pools, parks, etc.)	
Libraries	Environmental health	
Fire service	Economic development	
Planning (structure plan)	Passenger transport support and car parking	
Economic development		
Passenger transport		

Source: Barnett, R. R., (1994), Social Sciences, A Third Level Course, D345 Economic and Government Policy, Block 1: Behind the Budget, Unit 4 - Central and Local Government, Open University.

Appendix 5.1: Financial and Budget Reports of the Municipal Councils in the Sample

Financial Reports and Accounts

1. Municipal Council of Kuala Trengganu

Penyata Kira-kira Majlis Perbandaran Kuala Trengganu 1988
Penyata Kira-kira Majlis Perbandaran Kuala Trengganu 1989
Penyata Kira-kira Majlis Perbandaran Kuala Trengganu 1990
Penyata Kira-kira Majlis Perbandaran Kuala Trengganu 1991
Penyata Kira-kira Majlis Perbandaran Kuala Trengganu 1992
Penyata Kira-kira Majlis Perbandaran Kuala Trengganu 1993
Penyata Kira-kira Majlis Perbandaran Kuala Trengganu 1994
Penyata Kira-kira Majlis Perbandaran Kuala Trengganu 1995
Penyata Kira-kira Majlis Perbandaran Kuala Trengganu 1996

2. Municipal Council of Kota Setar

Akaun Majlis Perbandaran Kota Setar 1988
Akaun Majlis Perbandaran Kota Setar 1989
Akaun Majlis Perbandaran Kota Setar 1990
Akaun Majlis Perbandaran Kota Setar 1991
Akaun Majlis Perbandaran Kota Setar 1992
Akaun Majlis Perbandaran Kota Setar 1993
Akaun Majlis Perbandaran Kota Setar 1994
Akaun Majlis Perbandaran Kota Setar 1995
Akaun Majlis Perbandaran Kota Setar 1996

3. Municipal Council of Kuantan

Penyata Kewangan Majlis Perbandaran Kuantan 1988
Penyata Kewangan Majlis Perbandaran Kuantan 1989
Penyata Kewangan Majlis Perbandaran Kuantan 1990
Penyata Kewangan Majlis Perbandaran Kuantan 1991
Penyata Kewangan Majlis Perbandaran Kuantan 1992
Penyata Kewangan Majlis Perbandaran Kuantan 1993
Penyata Kewangan Majlis Perbandaran Kuantan 1994
Penyata Kewangan Majlis Perbandaran Kuantan 1995
Penyata Kewangan Majlis Perbandaran Kuantan 1996

Appendix 5.1 (Continued)

Budget Reports

1. Municipal Council of Kuala Trengganu

Anggaran Belanjawan Majlis Perbandaran Kuala Trengganu 1988
Anggaran Belanjawan Majlis Perbandaran Kuala Trengganu 1989
Anggaran Belanjawan Majlis Perbandaran Kuala Trengganu 1990
Anggaran Belanjawan Majlis Perbandaran Kuala Trengganu 1991
Anggaran Belanjawan Majlis Perbandaran Kuala Trengganu 1992
Anggaran Belanjawan Majlis Perbandaran Kuala Trengganu 1993
Anggaran Belanjawan Majlis Perbandaran Kuala Trengganu 1994
Anggaran Belanjawan Majlis Perbandaran Kuala Trengganu 1995
Anggaran Belanjawan Majlis Perbandaran Kuala Trengganu 1996

2. Municipal Council of Kota Setar

Anggaran Belanjawan Majlis Perbandaran Kota Setar 1988
Anggaran Belanjawan Majlis Perbandaran Kota Setar 1989
Anggaran Belanjawan Majlis Perbandaran Kota Setar 1990
Anggaran Belanjawan Majlis Perbandaran Kota Setar 1991
Anggaran Belanjawan Majlis Perbandaran Kota Setar 1992
Anggaran Belanjawan Majlis Perbandaran Kota Setar 1993
Anggaran Belanjawan Majlis Perbandaran Kota Setar 1994
Anggaran Belanjawan Majlis Perbandaran Kota Setar 1995
Anggaran Belanjawan Majlis Perbandaran Kota Setar 1996

3. Municipal Council of Kuantan

Anggaran Belanjawan Majlis Perbandaran Kuantan 1988
Anggaran Belanjawan Majlis Perbandaran Kuantan 1989
Anggaran Belanjawan Majlis Perbandaran Kuantan 1990
Anggaran Belanjawan Majlis Perbandaran Kuantan 1991
Anggaran Belanjawan Majlis Perbandaran Kuantan 1992
Anggaran Belanjawan Majlis Perbandaran Kuantan 1993
Anggaran Belanjawan Majlis Perbandaran Kuantan 1994
Anggaran Belanjawan Majlis Perbandaran Kuantan 1995
Anggaran Belanjawan Majlis Perbandaran Kuantan 1996

Other Reports

Laporan Ekonomi Negeri Trengganu 1996/97, Unit Perancang Ekonomi Negeri, Pejabat Setiausaha Kerajaan Trengganu.

Laporan Jawatankuasa Mengkaji Prestasi Kewangan Majlis Perbandaran Kuala Trengganu 1995.

Laporan Prestasi dan Laporan Tahunan 1996, Jabatan Penilaian dan Harta, Majlis Perbandaran Kuantan.

Laporan Kewangan Berakhir 30hb Jun 1997, Majlis Perbandaran Kota Setar.

Laporan Jabatan Penilaian Majlis Perbandaran Kota Setar 1994.

Laporan Ekonomi 1992/93, Kementerian Kewangan Malaysia.

Laporan Tahunan 1995 Majlis Perbandaran Kuantan

Laporan Tahunan, Jabatan Penilaian Harta 1992.

Sejarah Pembukaan KUANTAN, Majlis Perbandaran Kuantan 1989.

Data Asas 1996, Unit Perancang Ekonomi Negeri Trengganu

TITIAN MPKT 1997, Majlis Perbandaran Kuala Trengganu, Keluaran 1, 1997.

Taklimat Pembangunan Negeri Pahang Darul Makmur kepada Peserta-peserta Kursus PRA Gred 1, 5 Julai 1997.

MAKLUMAT Majlis Perbandaran Kuantan 1996.

Government Circular

Surat Pekeliling Perbendaharaan Bil. 2 Tahun 1996 - Garis Panduan Mengenai Penubuhan Jawatankuasa Pengurusan Kewangan dan Akaun di Kementerian, Jabatan dan Badan-badan Berkanun Persekutuan.

Surat Pekeliling Perbendaharaan Bil. 4. Tahun 1988 - Garis Panduan Untuk Menyediakan Laporan Tahunan Bagi Badan-badan Berkanun.

Surat Pekeliling Perbendaharaan Bil. 15 Tahun 1994 - Garis Panduan Untuk Penyediaan dan Pembentangan Laporan Tahunan dan penyata Kewangan Badan-badan Berkanun Persekutuan.

Appendix 5.2: Survey Questionnaire for the Local Authority pertaining to Billing and Collection of the Assessment Tax, and Management of the Taxpayer Accounts

Part A: Billing of Assessment Taxpayer

Please tick (/) the appropriate box.

- 1) Type of billing system used: ☐ pre-billing ☐ post billing
- 2) Method of billing ☐ computerised ☐ manual
- 3) Is the following information included in the bill?
- a) type of charges due..... ☐ Yes ☐ No
- b) amount due..... ☐ Yes ☐ No
- c) arrears..... ☐ Yes ☐ No
- d) date to be paid..... ☐ Yes ☐ No
- e) where to be paid..... ☐ Yes ☐ No
- f) percentage (%) of discount if early payment... ☐ Yes ☐ No
- g) percentage (%) of fine for late payment..... ☐ Yes ☐ No
- h) other, specify:
4. When the assessment tax bills issue to taxpayer? _____
(Please specify the month of the bills issued)
5. What are the methods of delivery of assessment tax bills? _____
(Please specify the method used)

Appendix 5.2 (Continued)

Part B: Collection of the Assessment

Please tick (/) the appropriate box.

1. Assessment taxes are levied after taxpayers have been fully being informed. ☐ Yes ☐ No
2. Information regarding payment facilities are enclosed together with assessment tax bill. ☐ Yes ☐ No
3. Mobile collection units are provided. ☐ Yes ☐ No
5. Collection method: ☐ centralised ☐ decentralised
6. The Number of Collection allocated by the Council. _____
(Please specify)
7. Please tick (/) in the box provided the facilities of payment you offer to taxpayer
 - a) Instalments..... ☐
 - b) Through employer pay-deduction scheme ☐
 - c) Mobile Collection centre..... ☐
 - d) Centralised payment..... ☐
[such as Post-Office; Tenaga Nasional; Telekom; etc.]
 - e) By post ((with free post-envelope provided)..... ☐
 - f) Other, please specify:
7. If Yes, please tick (/) in the box provided the method of payment you offer to taxpayer.
 - a) by cheque..... ☐
 - b) by Credit Card..... ☐
 - c) Cash..... ☐

Appendix 5.2 (Continued)

d) Direct Debit..... ☐

e) Other, please specify:

Part C: Management of Taxpayer Accounts

Please tick (/) the appropriate box.

1. The Council

- a) provides an incentive for early payment..... ☐ Yes ☐ No
 b) imposes penalties for late payment..... ☐ Yes ☐ No
 c) takes firm action against non-payment of assessment tax ☐ Yes ☐ No

2. Which of the following actions normally had taken by the Council against non-payment?

- a) Legal action (section 156)..... ☐
 b) Seal the property (section 148)..... ☐
 c) Seize the goods (Section 148)..... ☐
 d) others, specify:

3. Actions Taken: Could you please stated how many *E-Forms* have been issued by the Council against non-payment of the assessment tax since 1988?

Year	1988	1989	1990	1991	1992	1993	1994	1995	1996
<i>E-Form</i>									

Appendix 5.2 (Continued)

Part D: The Use of Information Technology

Please tick (/) the appropriate box or write in information requested.

1. Number of computers and staff in your section related to assessment tax collection.

Section	Billing	Collection	Taxpayer records/files	Valuation
Year start using computers				
Number of Computers				
Total Number of staff in the section				
Number of Staff handling computers				
- computing background				
- no computing background				

2. Which of the following best describes your computerised systems?

- a) Individual section/unit (not integrated) ☐
- b) Please specify when?
- c) On-line with all section/unit (within each department) ☐
- d) Please specify when?
- e) On-line with all other related departments handling assessment tax..... ☐
- f) Please specify when?

3. Which one of the following best describes your current software?

- a) Customised software..... ☐
- b) Standard software available in market..... ☐
- c) Self-developed software ☐
- d) Other, specify:

Appendix 5.3: Survey Questionnaire for the Council's Staff Involved in the Assessment Tax Administration

PART A: ORGANISATIONAL COMMITMENT AND LOYALTY

Bahagian A: Kesetiaan Dan Komitmen Kepada Organisasi

The following statements describe a climate which may exist in your organisation. Please indicate the extent of your agreement with each statement by circling from 1 - 5, based on the following scale.

Kenyataan berikut menerangkan situasi yang mungkin wujud di dalam organisasi anda. Sila bulatkan nombor-nombor berikut bagi menunjukkan sejauhmanakah anda bersetuju atau tidak bersetuju dengan kenyataan di bawah.

- "1"** = Strongly Disagree/ Sangat Tidak Bersetuju
"2" = Disagree/Tidak Bersetuju
"3" = Neutral/Berkecuali
"4" = Agree/Bersetuju
"5" = Strongly Agree/Sangat Bersetuju

	<i>Strongly Disagree</i> <i>Sangat Tidak Bersetuju</i>			<i>Strongly Agree</i> <i>Sangat Bersetuju</i>		
1. I am proud to tell others that I am part of this organisation <i>Saya bangga memberitahu kepada orang bahawa saya adalah sebahagian daripada organisasi ini.</i>	1	2	3	4	5	[01]
2. I tell my friends this is a good organisation to work for. <i>Saya menceritakan kepada rakan bahawa organisasi ini baik untuk bekerja.</i>	1	2	3	4	5	[02]
3. I am extremely glad I chose this organisation to work for over others I was considering at the time I joined. <i>Saya sangat gembira memilih organisasi ini berbanding dengan organisasi lain semasa memilih pekerjaan.</i>	1	2	3	4	5	[03]
4. For me this is the worst organisation of all to work for. <i>Bagi saya, organisasi ini adalah yang terburuk untuk bekerja.</i>	1	2	3	4	5	[04]
5. I am willing to put in a great deal of effort beyond that normally expected in order to ensure that this organisation is successful. <i>Saya rela bekerja lebih dari sepatutnya bagi membantu organisasi ini terus berjaya.</i>	1	2	3	4	5	[05]

Appendix 5.3 (Continued)

	<i>Strongly Disagree</i> <i>Sangat Tidak Bersetuju</i>			<i>Strongly Agree</i> <i>Sangat Bersetuju</i>			
6. This organisation really inspires the best in me in the way of job performance. <i>Organisasi ini memberi inspirasi terbaik dalam prestasi kerja saya.</i>	1	2	3	4	5		[06]
7. I find that my values and the organisation's values are very similar. <i>Terdapat persamaan nilai di antara diri saya dan organisasi ini.</i>	1	2	3	4	5		[07]
8. I don't really care about the fate of this organisation. <i>Saya tidak kisah atau ambil berat masa depan organisasi ini.</i>	1	2	3	4	5		[08]
9. I would accept almost any type of job assignment in order to keep working for this organisation. <i>Saya akan menerima sebarang kerja asalkan dapat terus bekerja dalam organisasi ini.</i>	1	2	3	4	5		[09]
10. There is nothing much to be gained by sticking with this organisation. <i>Tidak ada apa yang akan diperolehi jika terus berada dalam organisasi ini.</i>	1	2	3	4	5		[10]
11. It would take a lot of changes in my present circumstances to cause me to leave this organisation. <i>Saya tidak akan meninggalkan organisasi ini, kecuali terdapat perubahan yang besar terhadap diri saya.</i>	1	2	3	4	5		[11]
12. Deciding to work for this organisation was a mistake on my part. <i>Keputusan untuk bekerja disini adalah satu kesilapan yang telah saya lakukan.</i>	1	2	3	4	5		[12]
13. I always find it easy to agree with this organisation's policies on important matters relating to its employees. <i>Saya selalu bersetuju dengan polisi organisasi ini berkaitan dengan pekerja.</i>	1	2	3	4	5		[13]

Appendix 5.3 (Continued)

PART B: WORK SYSTEM

Bahagian B: Sistem Kerja

Using the same scale as in **Part A (1 to 5)**, please circle the appropriate number to show how much you agree or disagree with each of the statements below regarding the work system in your department.

Dengan menggunakan skala yang sama seperti di Bahagian A (1 hingga 5), Sila bulatkan nombor yang bersesuaian bagi menunjukkan sejauhmanakah anda bersetuju atau tidak bersetuju dengan kenyataan di bawah mengenai sistem kerja di Jabatan anda.

"1" = **Strongly Disagree/ Sangat Tidak Bersetuju**
"2" = **Disagree/Tidak Bersetuju**
"3" = **Neutral/Berkecuali**
"4" = **Agree/Bersetuju**
"5" = **Strongly Agree/Sangat Bersetuju**

	Strongly Disagree Sangat Tidak Bersetuju					Strongly Agree Sangat Bersetuju
1. My job is broadly defined. <i>Kerja saya meliputi skop yang luas.</i>	1	2	3	4	5	[14]
2. Job rotation always happens in my department. <i>Pusingan kerja diamalkan dalam jabatan ini.</i>	1	2	3	4	5	[15]
3. The pay here is according to employees' skill. <i>Bayaran gaji di sini tidak berdasarkan kemahiran pekerjaanya.</i>	1	2	3	4	5	[16]
4. My fellow employees often evaluate my work. <i>Rakan sekerja selalu menilai kerja saya.</i>	1	2	3	4	5	[17]
5. Self-or-peer review is our practice in this department. <i>Penilaian 'diri sendiri atau rakan sekerja' adalah amalan di jabatan ini.</i>	1	2	3	4	5	[18]
6. Staff cover vacancies in a flexible manner. <i>Staf akan mengambilalih kerja-kerja yang ditinggalkan dengan cara yang fleksibel.</i>	1	2	3	4	5	[19]
7. My department is concerned about learning and personal development. <i>Jabatan ini mengambil berat mengenai pembelajaran dan pengembangan individu.</i>	1	2	3	4	5	[20]
8. We work as a team in this department. <i>Kami bekerja sebagai satu pasukan dalam jabatan ini.</i>	1	2	3	4	5	[21]

Appendix 5.3 (Continued)

	<i>Strongly Disagree</i> <i>Sangat Tidak Bersetuju</i>			<i>Strongly Agree</i> <i>Sangat Bersetuju</i>		
9. Status differences in my department are minimised. <i>Perbezaan jawatan di jabatan ini adalah tidak ketara.</i>	1	2	3	4	5	[22]
10. Employees in my department are encouraged to give ideas in the decision making process. <i>Pekerja di jabatan ini tidak digalakkan memberi pendapat di dalam proses membuat keputusan .</i>	1	2	3	4	5	[23]
11. There are regular training sessions. <i>Sesi latihan diadakan dari masa ke semasa.</i>	1	2	3	4	5	[24]
12. Regular information to help with my job is provided. <i>Maklumat berkaitan sering diberikan di dalam membantu kerja harian saya</i>	1	2	3	4	5	[25]
13. We have weekly quality circle meetings. <i>Mesyuarat berkaitan kualiti diadakan setiap minggu.</i>	1	2	3	4	5	[26]
14. The organisation keeps me fully informed of its policies. <i>Organisasi ini sering memaklumkan polisi-polisinya kepada saya.</i>	1	2	3	4	5	[27]

Appendix 5.3 (Continued)

PART C: RESPONDENT BACKGROUND

Bahagian C: Latarbelakang Responden

Please tick (✓) the appropriate box.

Sila tanda (✓) di dalam kotak yang berkenaan

Sex/ Jantina

Female/ Perempuan..... ☐ [28]
Male /Lelaki ☐

Race /Bangsa

Chinese/China..... ☐
Malay/Melayu..... ☐
Indian/India..... ☐
Others: Specify/
Lain-lain: Nyatakan; _____ [29]

Age/Umur

16-25..... ☐
26-35..... ☐
36-45..... ☐
46-55..... ☐
Above/Lebih 55..... ☐ [30]

Marital Status/ Status Perkahwinan

Single/ Bujang..... ☐
Married/ Berkahwin ☐
Divorced/ Berceraai ☐
Others: Specify/
Lain-lain: Nyatakan; _____ [31]

Level of Education Completed/ Tahap Pendidikan

(Please tick the highest qualification obtained)

LCE /SRP ☐
MCE/SPM..... ☐
HSC/STPM ☐
Diploma ☐
Bachelor Degree/Sarjanamuda... ☐
Master Degree/Sarjana..... ☐
Ph.D. ☐
Others: Specify/
Lain-lain: Nyatakan; _____ [32]

Employment Status/ Status Jawatan

Permanent/ Tetap ☐
Temporary/ Sementara..... ☐
Contract/Kontrak..... ☐
Part-time/Sambilan..... ☐ [33]

Occupation/ Jawatan

Managerial, Executive ☐
Eksekutif/Pengurusan
Engineering, Technical ☐
Teknikal/Kejuruteraan
Administrative, Clerical ... ☐
Perkeranian/Pentadbiran
Others: Specify/
Lain-lain: Nyatakan; _____ [34]

How long have you worked for this council?

Berapa lama bekerja di Majlis ini ?
less than 1 year ☐
Kurang dari 1 tahun
1 - 2 ☐
3 - 5..... ☐
6 - 10 ☐
more than/ Lebih dari 10..... ☐ [35]

Department/Division/Jabatan/bahagian

Please indicate which department or division you work in:

Nyatakan Jabatan/bahagian di mana anda bertugas

Revenue Collection /Pungutan Hasil..... ☐
Billing/ Pembilan..... ☐
Taxpayer records/accounts..... ☐
Rekod/akaun pembayar cukai
Valuation/ Penilaian..... ☐
Enforcement /Penguatkuasaan..... ☐ [36]

Appendix 5.4: Survey Questionnaire for Assessment Taxpayer

PART A: BENEFIT RECEIVED

Bahagian A: Manfaat Diterima

Section I: Please choose a number from the scale below to show how much you agree or disagree with each statement and **circle the appropriate number** or **tick the box provided**.

*Sila pilih nombor daripada skala berikut bagi menunjukkan sejauhmanakah anda bersetuju atau tidak bersetuju dengan setiap kenyataan di bawah dan **bulatkan nombor-nombor berkenaan** atau tandakan (/) dalam kotak yang disediakan.*

"1"	=	Strongly Disagree/Sangat Tidak bersetuju
"2"	=	Disagree/Tidak Bersetuju
"3"	=	Neutral/Berkecuali
"4"	=	Agree/Bersetuju
"5"	=	Strongly Agree/Sangat Bersetuju

I am satisfied with benefits received from the following services.

Saya berpuasahati dengan manfaat yang diterima dari perkhidmatan-perkhidmatan berikut:

	Strongly Disagree <i>Sangat Tidak bersetuju</i>			Strongly Agree <i>Sangat Bersetuju</i>			
1. Refuse Collection/ <i>Pungutan sampah</i>	1	2	3	4	5		[01]
2. Road Maintenance and Cleansing <i>Penyelenggaraan dan Pembersihan jalan</i>	1	2	3	4	5		[02]
3. Drainage Systems <i>Sistem Peparitan</i>	1	2	3	4	5		[03]
4. Public Libraries/ <i>Perpustakaan awam</i>	1	2	3	4	5		[04]
5. Sport and Recreational Facilities <i>Kemudahan Rekreasi dan Sukan</i>	1	2	3	4	5		[05]
6. Beautification ¹⁰¹ and Maintenance Public Parks ¹⁰² <i>Keindahan and Penyelenggaraan Taman Awam</i>	1	2	3	4	5		[06]

¹⁰¹ Beautification includes planting, trimming or removal of trees and shrubs.

Keindahan termasuklah menanam(pokok-pokok hiasan), memotong atau membuang pokok-pokok yang mengganggu pengguna.

¹⁰² Public Parks include playing fields, playground, garden and other open space.

Taman awam termasuklah padang-padang permainan, taman-taman bunga dan lain-lain kawasan lapang.

Appendix 5.4 (Continued)

PART B: CLARITY OF THE ASSESSMENT RATES SYSTEM

Bahagian B: Kejelasan Sistem Cukai Taksiran

Using the same scale as in Part A (1 to 5), please circle the appropriate number to show how much you agree or disagree with each of the statements below.

Dengan menggunakan skala yang sama seperti di bahagian A (1 hingga 5), Sila bulatkan nombor yang bersesuaian bagi menunjukkan sejauhmanakah anda bersetuju atau tidak bersetuju dengan setiap kenyataan di bawah.

"1" = Strongly Disagree/Sangat Tidak bersetuju
 "2" = Disagree/Tidak Bersetuju
 "3" = Neutral/Berkecuali
 "4" = Agree/Bersetuju
 "5" = Strongly Agree/Sangat Bersetuju

- | | <i>Strongly Disagree</i>
<i>Sangat Tidak bersetuju</i> | | | | <i>Strongly Agree</i>
<i>Sangat Bersetuju</i> | |
|--|---|---|---|---|--|------|
| | 1 | 2 | 3 | 4 | 5 | |
| 1. I understand clearly of what is and what is not rateable under assessment rates system.
<i>Saya memahami dengan jelas mengenai apa yang dikenakan dan tidak dikenakan kadar di bawah sistem kadar taksiran.</i> | | | | | | [07] |
| 2. The amount of rate to be paid on each rateable property is clear.
<i>Jumlah kadar yang kena dibayar bagi setiap harta yang dimiliki adalah jelas.</i> | | | | | | [08] |
| 3. I understand clearly the base used in computing assessment rates.
<i>saya memahami dengan jelas asas yang digunakan di dalam pengiraan kadar taksiran.</i> | | | | | | [09] |
| 4. I understand clearly the purpose that the assessment rate is intended to serve by the Council.
<i>Saya memahami dengan jelas tujuan penggunaan hasil daripada kadar taksiran yang akan dibelanjakan oleh Majlis.</i> | | | | | | [10] |

Appendix 5.4 (Continued)

PART C: CONVENIENCE OF PAYMENT

Bahagian C: Kemudahan Bayaran

Section I: Please choose a number from the scale below to show how much you agree or disagree with each statement and circle the appropriate number.

Sila pilih nombor daripada skala di bawah bagi menunjukkan sejauhmanakah anda bersetuju atau tidak dengan setiap kenyataan berikut. Bulatkan nombor-nombor yang bersesuaian.

"1"	=	Strongly Disagree/Sangat Tidak bersetuju
"2"	=	Disagree/Tidak Bersetuju
"3"	=	Neutral/Berkecuali
"4"	=	Agree/Bersetuju
"5"	=	Strongly Agree/Sangat Bersetuju

	Strongly Disagree Sangat Tidak bersetuju					Strongly Agree Sangat Bersetuju					
1. The bill contains adequate information. ¹⁰³ <i>Bil kadar taksiran mengandungi maklumat yang mencukupi.</i>	1	2	3	4	5						[11]
2. The bill is received at an appropriate time. <i>Bil kadar taksiran diterima pada masa yang bersesuaian.</i>	1	2	3	4	5						[12]
3. There is adequate time to settle the payment. <i>Masa adalah mencukupi bagi menjelaskan bayaran kadar taksiran.</i>	1	2	3	4	5						[13]
4. The collection point allocated by the council is convenient. <i>Pusat kutipan yang disediakan adalah menyenangkan.</i>	1	2	3	4	5						[14]
5. The opening hours of the collection point allocated by the council are convenient. <i>Masa operasi bagi pusat kutipan yang disediakan oleh Majlis adalah menyenangkan.</i>	1	2	3	4	5						[15]
6. The methods of payment offered are convenient. <i>Kaedah pembayaran yang ditawarkan adalah menyenangkan.</i>	1	2	3	4	5						[16]
7. The modes of payment offered are convenient. <i>Cara pembayaran yang ditawarkan adalah menyenangkan.</i>	1	2	3	4	5						[17]

¹⁰³ such as: amount due, last date to be paid; where to be paid; charge or fine if late payment.
seperti: jumlah yang kena dibayar, tarikh akhir bayaran perlu dibuat, caj atau denda jika bayaran lewat.

Appendix 5.4 (Continued)

PART D : QUALITY OF SERVICES

Bahagian: Kualiti Perkhidmatan

Please choose a number from the scale below to show how much you agree or disagree with each statement and circle the appropriate number.

Sila pilih nombor daripada skala di bawah bagi menunjukkan sejauhmanakah anda bersetuju atau tidak dengan setiap kenyataan berikut. Bulatkan nombor-nombor yang bersesuaian.

<p>“1” = Strongly Disagree/Sangat Tidak bersetuju</p> <p>“2” = Disagree/Tidak Bersetuju</p> <p>“3” = Neutral/Berkecuali</p> <p>“4” = Agree/Bersetuju</p>	<p>“5” = Strongly Agree/Sangat Bersetuju</p> <p>“0” = Don’t know/Tidak Tahu</p>
--	---

	Strongly Disagree Sangat Tidak bersetuju					Strongly Agree Sangat Bersetuju	Don't Know Tidak Tahu	
1. We can rely on the services provided by the local authority. <i>Kami yakin atas perkhidmatan yang disediakan oleh Majlis.</i>	1	2	3	4	5		0	[18]
2. I am very pleased with the appearance of local authority facilities ¹⁰⁴ . <i>Saya sangat selesa ke atas 'kezhahiran'¹⁰⁵, kemudahan yang disediakan oleh Majlis.</i>	1	2	3	4	5		0	[19]
3. Facilities are provided at place which is convenient to the public. <i>Kemudahan disediakan di tempat yang menyenangkan orang ramai.</i>	1	2	3	4	5		0	[20]
4. Facilities provided by local authority are clean and in good order. <i>Kemudahan yang disediakan adalah bersih dan dalam keadaan baik.</i>	1	2	3	4	5		0	[21]
5. The availability of the services and facilities are convenient to the public. <i>Kemudahan dan perkhidmatan yang diadakan oleh Majlis adalah menyenangkan orang ramai.</i>	1	2	3	4	5		0	[22]
6. I am very happy with local authority responses to my complaints. <i>Saya berpuas hati dengan tindakan oleh Majlis atas aduan yang dibuat.</i>	1	2	3	4	5		0	[23]
7. Daily services provided by local authority are according to what have been mentioned in customer charter. <i>Perkhidmatan harian Majlis berdasarkan kepada apa yang dicatat di dalam piagam pelanggan.</i>	1	2	3	4	5		0	[24]

¹⁰⁴ Facilities refer to equipment, tools, fixtures such as dust bin, play ground equipment, signboard, etc
Kemudahan merujuk kepada peralatan, kelengkapan seperti tong sampah, peralatan mainan kanak-kanak, papan tanda

¹⁰⁵ 'kezhahiran' ini merujuk kepada bentuk fizikal kemudahan-kemudahan yang disediakan

Appendix 5.4 (Continued)

"1" = Strongly Disagree/Sangat Tidak bersetuju "2" = Disagree/Tidak Bersetuju "3" = Neutral/Berkecuali "4" = Agree/Bersetuju	"5" = Strongly Agree/Sangat Bersetuju "0" = Don't know/Tidak Tahu
---	--

	Strongly Disagree <i>Sangat Tidak bersetuju</i>					Strongly Agree <i>Sangat Bersetuju</i>	Don't Know <i>Tidak Tahu</i>	
8. There is no difficulty in communication between local authority staff and the public. <i>Tidak ada kesukaran di dalam perhubungan di antara orang ramai dan kakitangan Majlis.</i>	1	2	3	4	5		0	[25]
9. Local authority staff appear knowledgeable and thorough in their work. <i>Kakitangan Majlis adalah tekun dan berpengetahuan dalam kerja mereka.</i>	1	2	3	4	5		0	[26]
10. Local authority staff are very polite. <i>Kakitangan Majlis adalah bersopan-satun.</i>	1	2	3	4	5		0	[27]
11. Local authority staff are very helpful. <i>Kakitangan Majlis suka 'membantu'.</i>	1	2	3	4	5		0	[28]
12. The ratepayer can rely on the security & confidentiality of their affairs handled by local authority's staff. <i>Pembayar-cukai boleh dipercayai kakitangan Majlis mengenai keselamatan dan hal ehwal mereka.</i>	1	2	3	4	5		0	[29]
13. Information about the services and benefits provided by local council are well informed to the public. <i>Maklumat mengenai perkhidmatan dan manfaat yang disediakan oleh Majlis dihebahkan dengan sempurna kepada orang ramai.</i>	1	2	3	4	5		0	[30]

Appendix 5.4 (Continued)

PART E : FINANCIAL REPORTS

Bahagian E: Laporan Kewangan

Please tick (/) the appropriate box/sila tandakan (/) pada kotak yang bersesuaian.

1. Do you have any access to local government annual report and accounts ? ☐ Yes, *Go To Q 4*
☐ No, *Go To Q 2* [31]
Adakah anda berpeluang membaca laporan tahunan dan akaun Majlis ?

2. If your answer to **question No. 1** is 'No', do you want local government annual report and accounts to be made available or disclosed to the public ? ☐ Yes, *Go To Q 4*
☐ No, *Go To Q 3* [32]
Jika jawapan anda bagi Soalan No. 1 adalah 'TIDAK', adakah anda mahu pihak Majlis mendedahkan laporan tahunan dan akaun mereka kepada orang ramai ?

3. If your answer to **question No. 2** is 'No', Which of the following reasons best describes your unwillingness to read the annual report and accounts?
Jika jawapan anda bagi Soalan No. 2 adalah 'TIDAK', yang manakah daripada alasan-alasan berikut dapat menerangkan ketidakrelaan anda membaca laporan tahunan dan akaun Majlis ?
 - a) Do not understand the contents of the annual report and accounts..... ☐
Tidak memahami kandungan laporan tahunan dan akaun yang disediakan itu.
 - b) Do not interested the Council affairs..... ☐
Tidak berminat dengan hal ehwal Majlis.
 - c) Do not have enough time to spend on reading the reports..... ☐
Tidak mempunyai masa yang mencukupi untuk membaca laporan tersebut.
 - d) The information disclosed does not have the benefit to readers..... ☐
Maklumat yang didedahkan tidak memanfaatkan pembaca.
 - e) Other (please specify): _____ [33]
Lain-lain (nyatakan)

4. If you have an opportunity to read the annual report and accounts, what section of the annual report **would you like to read?**
Jika anda berpeluang membaca laporan tahunan dan akaun Majlis, seksyen manakah yang anda ingin membacanya.?
 - a) Report by Director of Finance/Laporan Pengarah Kewangan..... ☐ Yes ☐ No [34]
 - b) Statement of Revenue and Expenditure..... ☐ Yes ☐ No [35]
Penyata hasil dan perbelanjaan
 - c) Balance Sheet/Lembaran imbalan..... ☐ Yes ☐ No [36]
 - d) Notes to the Accounts/Nota kepada akaun..... ☐ Yes ☐ No [37]
 - e) Cash Flow Statement/penyata aliran tunai..... ☐ Yes ☐ No [38]
 - f) Other (please specify) _____ [39]
Lain-lain (nyatakan)

5. If you have an opportunity to read the report, ☐ Yes ☐ No [40]
would you be more willing to pay tax?
Jika anda berpeluang membaca laporan tersebut, adakah anda lebih rela atau senang hati menjelaskan cukai taksiran ?

Appendix 5.4 (Continued)

PART F: COMPLIANCE COSTS

Bahagian F: Kos Pemuatan

Please tick (/) the appropriate box/sila tandakan (/) pada kotak yang bersesuaian.
Sila tandakan (/) kepada jawapan yang bersesuaian di bawah.

1. Do you keep any books or records for the purpose of paying assessment rate ? ☐ Yes
☐ No [41]
Adakah anda menyimpan sebarang buku atau rekod bagi tujuan pembayaran cukai taksiran ?

2. If your answer to question No. 1 is 'Yes', please specify the total number of hours taken in a year for record keeping. *(Please tick (/) one box only/tanda satu kotak sahaja)*
Jika Jawapan anda bagi Soalan No. 1 adalah 'YA', sila nyatakan jumlah jam yang diambil dalam tempoh setahun bagi tujuan tersebut.

Less than/kurang dari 5 hours/jam. ☐
5 - 10 hours/jam..... ☐
More than/lebih dari 10 hours/jam... ☐ [42]

3. Do you need an expert advice to settle your assessment rate ? ☐ Yes [43]
☐ No
Adakah anda memerlukan nasihat perunding dalam menyelesaikan cukai taksiran anda?

4. If your answer to question No. 3 is 'Yes', please specify the total amount per annum that you have to pay your adviser. *(Please tick (/) one box only/tanda satu kotak sahaja)*
Jika Jawapan anda bagi Soalan No. 3 adalah 'YA', sila nyatakan jumlah amoun yang dibayar kepada perunding dalam tempoh setahun.

Less than/kurang dari RM50... ☐
RM50 - RM150..... ☐
RM150 - RM500..... ☐
RM250 - RM500..... ☐
Above/lebih RM500..... ☐ [44]

5. Do you also incur other miscellaneous expenses¹⁰⁶ in the process of paying assessment rate ? ☐ Yes
☐ No [45]
Adakah anda juga terpaksa menanggung lain-lain perbelanjaan bagi tujuan menyelesaikan kadar taksiran ?

6. If 'Yes' to question 5, Please specify the total amount per annum that you have to incur. *(Please tick (/) one box only/tanda satu kotak sahaja)*
Jika jawapannya 'YA' bagi Soalan No. 5, sila nyatakan jumlah yang anda belanjakan dalam tempoh setahun.

Less than/kurang dari RM25.... ☐
RM25 - RM50..... ☐
RM50 - RM200..... ☐
RM200 - RM500..... ☐
Above/lebih RM500..... ☐ [46]

7. How often do you visit your local council office to settle your bill per year.
Berapa kalikah anda pergi berurusan dengan bahagian cukai dalam setahunbagi menyelesaikan bil cukai taksiran anda.
(Please tick (/) one box only/tanda satu kotak sahaja)

a) Not at all/tidak pernah langsung..... ☐
b) 1 - 2 times/kali..... ☐
c) 3 - 4 times/kali..... ☐
d) 5 - 6 times/kali..... ☐
e) More than/lebih dari 6 times/kali..... ☐ [47]

¹⁰⁶ such as postage, costs of travel to the local council tax office.
seperti, bayaran pos, kos pengangkutan ke pejabat cukai majlis.

Appendix 5.4 (Continued)

Part G: Respondent Background

Bahagian G: Latarbelakang Responden

Please Tick (✓) the appropriate box/sila tandakan (✓) pada kotak yang bersesuaian.

Gender/Jantina

Female/perempuan..... ☐
Male/telaki..... ☐ [48]

Race/Bangsa

Chinese/China..... ☐
Indian/India..... ☐
Malay/Melayu..... ☐
Other: Specify/lain-lain: nyatakan
..... [49]

Age/Umur

20-30..... ☐
31-40..... ☐
41-50..... ☐
Over/lebih 50..... ☐ [50]

Marital Status/Status Perkahwinan

Single/Bujang..... ☐
Married/Berkahwin..... ☐
Divorced/Berceraai..... ☐
Other: Specify/ lain-lain: nyatakan
..... [51]

Level of Education Completed/Tahap Pendidikan

(Please tick the highest qualification obtained/sila tanda (✓) pada kelayakan yang paling tinggi diperolehi)

LCE/ SRP..... ☐
MCE/SPM..... ☐
HSC/STPM..... ☐
Diploma..... ☐
Bachelor Degree/sarjanamuda..... ☐
Master Degree/sarjana..... ☐
Ph.D. ☐
Professional..... ☐
Other: Specify/ lain-lain: nyatakan
..... [52]

Current Employment/Majikan Sekarang

Government/kerajaan..... ☐
Private Sector/sektor swasta..... ☐
Own Business/perniagaan sendiri... ☐
Not Working/tidak bekerja..... ☐ [53]

Number of Dependents

Bilangan Tanggungan

Please specify _____ person(s)/orang [54]
(Nyatakan)

Monthly Gross Income/Pendapatan kasar bulanan

Less than/kurang dari RM600.... ☐
RM601 - RM1,000..... ☐
RM1,001 - RM2,000..... ☐
RM2,001 - RM3,000..... ☐
RM3,001 - RM6,000..... ☐
RM6,001 - RM10,000 ☐
RM10,000 and above/dan ke atas . ☐ [55]

Occupation/Pekerjaan

Professional..... ☐
Profesional
Managerial, Executive..... ☐
Pengurusan, Eksekutif
Engineering, Technical..... ☐
Kejuruteraan, Teknikal
Administrative, Clerical..... ☐
Pentadbiran, Pakeranian
Owner Manager..... ☐ [56]
Pemilik, Pengurus

Type of house owned/Jenis harta yang dimiliki.

Low Cost-housing/kos rendah..... ☐
Medium Cost-housing/kos sederhana..... ☐
High Cost-housing/Mewah..... ☐
Shop-house/rumah kedai..... ☐ [57]

**Appendix 5.5: Percentage of Arrears to Assessment Taxes Revenue of the
Municipal Councils in Peninsular Malaysia**

Municipal Council	Arrears as at the 31st December 1994 (RM)	Budgeted Assessment Taxes Revenue for the year 1994 (RM)	Percentage Arrears to Assessment Taxes Revenue
Shah Alam	2,668,569	28,967,415	9.21
Pulau Pinang	6,267,260	58,200,000	10.77
Melaka	2,548,287	22,777,305	11.19
Kelang	8,460,265	36,209,816	23.36
Kuantan	6,087,652	16,374,213	37.18
Seberang Prai	14,903,276	35,600,000	41.86
Petaling Jaya	23,448,246	51,363,217	45.65
Taiping	4,499,175	7,450,978	60.38
Ampang Jaya	10,585,311	17,452,401	60.65
Kota Setar	11,019,079	13,828,897	79.68
Seremban	10,855,909	12,147,862	89.36
Sungai Petani	7,810,149	7,254,293	107.66
Kangar	4,074,493	3,285,658	124.01
Kota Bahru	11,818,074	7,558,719	156.35
Kuala Trengganu	12,210,000	5,440,677	224.42

Source: Local Government Division, Ministry of Housing and Local Government 1995.

Appendix 5.6: Awards Received by the Municipal Council of Kuantan

1. Third place for the Cleanness Town Award in 1985.
2. Recognition for the Best Refuse Disposal System by the JICA in 1988.
3. First place for the National Quality Circle Convention for the Arrears Collection Programme in 1988.
4. First place for the National Quality Circle Convention for the 'Mengatasi Masalah Kerbersihan Castor Wheel Project' in 1993
5. Prime Minister Quality Awards 1990, 1991 and 1994
6. The Best Management of the Public Toilet in 1991 and 1992
7. The Malaysian Tourism Awards for the Local Authority Category in 1989, 1990 and 1991.
8. First place for the Cleanness and Tidiness Program in 1991.
9. Public Service Innovation Award for the Sessional Car Parking Coupon System in 1992.
10. Customer Charter Award for the Local Authority Category in 1994.
11. Project Management Award for the Local Authority Category in 1994.
12. Local Authority Quality Award in 1993.
13. First place for the Cleanness and Tidiness Programme in 1994
14. Third place for Cleanness Drainage System Award in 1994
15. Public Service Innovation Award for the Arrears Collection Programme in 1995.
16. Public Service Innovation Award for the 'Mesen Proses-semula Pita Reben Remac D-2 untuk Kerja-kerja Mencetak' in 1995
17. Public Service Director General Award in 1995
18. The Best Award for the Customer Charter Implementation in 1995
19. ISO 9000 in 1996.

**Appendix 5.7: List of the Names of the Residential of Taxpayer in the three
Selected Municipal Councils**

	Kuantan Municipal Council	Kota Setar Municipal Council	Kuala Trengganu Municipal Council
Town Centre	Taman Chenderawasih, Paramount, Mat Kilau, Peninsular Jaya Bukit Setongkol Bandar Indera Mahkota Perumahan Pasdec Makmur Perkampungan Sg. Isap	Taman Pegawai, Pelangi, Uda, Serai Perumahan Pumpong Perumahan Jalan Tun Abdul Razak Perumahan Jalan Sultanah Jalan Stadium	Kg. Paya Bunga Ladang Jalan Sultan Ismail, Sultan Sulaiman, Bandar Kg. Ladang Tok Palam Kg. Ladang Titian Kg. Batas Baru Rumah Pangsa Air Jernih Balik Bukit
Sub-Town Centre	Rumah Murah Semanbu Taman Tanah Putih Kampung Selamat, Tg Api, Sg. Karang Bukit Sekilau Perumahan Bukit Rengin Perkampungan Tg. Lumpur	Jalan Sungai Korok, Kuala Kedah, Langgar Perumahan Tandop, Awam Mergong, Alor Mengkudu Kg. Lorong Seri Kampung Beserah	Jalan Bukit Kecil Kg. Sungai Buaya, Mengabong Tengah, Chabang Tiga, Pasir Panjang Simpang Tok Su Taman Sri Desa, Haji Da
Out-side Town Centre	Perumahan Kampung Balok Kampung Batu 3 Kampung Selamat Pelabuhan Kampung Sg. Gabang Kampung Sg. Lembing Perumahan Seberang Balok	Perumahan Anak Bukit Kuala Sungai Pokok Sena Kuala Kedah Kota Sarang Semut Alor Merah	Bukit Kumbang Jambu Kg. Durian Burung Kawasan Perusahaan Gong Badak Kuala Ibai Kampung Kepung Kampung Padang Pauh

Appendix 6.1: Distribution of Respondents (Tax Staff) by the Municipal Council's Assessment Tax Collection performance and Demographic Characteristics

Variable	Kuantan Municipal Council N=32		Kota Setar Municipal Council N=47		Kuala Trengganu Municipal Council N=30	
	F	%	F	%	F	%
Gender						
1. Female	10	31.3	14	29.8	4	13.3
2. Male	22	68.8	33	70.2	26	86.7
Race						
1. Chinese	1	3.1	1	2.1	0	0.0
2. Malay	31	96.9	46	97.9	30	100.0
Age						
1. 16-25	2	6.3	8	17.0	4	13.3
2. 26-35	14	43.8	29	61.7	13	43.3
3. 36-45	16	50.0	8	17.0	12	40.0
4. 46-55	0	0.0	2	4.3	1	3.3
Marital Status						
1. Single	6	18.8	9	19.1	4	13.3
2. Married	26	81.3	38	80.9	26	86.7
Level of Education						
1. LCE/SRP	4	12.5	1	2.1	1	3.3
2. MCE/SPM	17	53.1	38	80.9	17	56.7
3. HSC/STPM	7	21.9	4	8.5	9	30.0
4. Diploma	3	9.4	3	6.4	3	10.0
5. Bachelor Degree	0	0.0	1	2.1	0	0.0
6. Other	1	3.1	0	0.0	0	0.0
Employment Status						
1. Permanent	27	84.4	45	95.7	30	100.0
2. Temporary	1	3.1	2	4.3	0	0.0
3. Contract	4	12.5	0	0.0	0	0.0
4. Part-time	0	0.0	0	0.0	0	0.0
Occupation						
1. Managerial, Executive	1	3.1	2	4.3	2	6.7
2. Engineering, Technical	9	28.1	14	29.8	4	13.3
3. Administrative, Clerical	22	68.8	26	55.3	23	76.7
4. Other	0	0.0	5	10.6	1	3.3
Period of Work						
1. 1-2 years	2	6.3	1	2.1	0	0.0
2. 3-5 years	1	3.1	15	31.9	7	23.3
3. 6-10 years	4	12.5	15	31.9	4	13.3
4. More than 10 years	25	78.1	16	34.0	19	63.3
Division/Department						
1. Revenue Collection	10	31.3	25	53.2	7	23.3
2. Billing	1	3.1	2	4.3	1	3.3
3. Taxpayer Record	2	6.3	1	2.1	2	6.7
4. Valuation	19	59.4	19	40.4	20	66.7

Appendix 6.2: The Frequency Distribution of Variables in the Councils Staff Survey

I Demographic Characteristics

Gender

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Female	1	36	33.0	33.0	33.0
Male	2	73	67.0	67.0	100.0
		-----	-----	-----	
Total		109	100.0	100.0	

RACE

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Chinese	1	2	1.8	1.8	1.8
Malay	2	107	98.2	98.2	100.0
		-----	-----	-----	
Total		109	100.0	100.0	

AGE

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
16 - 25	1	14	12.8	12.8	12.8
26 - 35	2	56	51.4	51.4	64.2
36 - 45	3	39	35.8	35.8	100.0
		-----	-----	-----	
Total		109	100.0	100.0	

Marital Status

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Single	1	19	17.4	17.4	17.4
Married	2	90	82.6	82.6	100.0
		-----	-----	-----	
Total		109	100.0	100.0	

Appendix 6.2 (Continued)

EDUCATION

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
LCE/SRP	1	6	5.5	5.5	5.5
MCE/SPM	2	72	66.1	66.1	71.6
HSC/STPM	3	20	18.3	18.3	89.9
DIPLOMA	4	9	8.3	8.3	98.2
BACHELOR DEGREE	5	1	.9	.9	99.1
OTHER	8	1	.9	.9	100.0
Total		109	100.0	100.0	

STATUS

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Permanent	1	102	93.6	93.6	93.6
Temporary	2	1	.9	.9	94.5
Contract	3	2	1.8	1.8	96.3
Part-time	4	4	3.7	3.7	100.0
Total		109	100.0	100.0	

OCCUPATION

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Managerial, Executive	1	5	4.6	4.6	4.6
Engineering, Technical	2	27	24.8	24.8	29.4
Administrative, Clerical	3	71	65.1	65.1	94.5
Other	4	6	5.5	5.5	100.0
Total		109	100.0	100.0	

LONG WORK

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
1 - 2 year	2	3	2.8	2.8	2.8
3 - 5 year	3	23	21.1	21.1	23.9
6 - 10 year	4	23	21.1	21.1	45.0
More than 10 year	5	60	55.0	55.0	100.0
Total		109	100.0	100.0	

Appendix 6.2 (Continued)

DIVISION

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Revenue Collection	1	41	37.6	37.6	37.6
Billing	2	5	4.6	4.6	42.2
Taxpayer records/acct.	3	5	4.6	4.6	46.8
Valuation	4	58	53.2	53.2	100.0
		-----	-----	-----	
Total		109	100.0	100.0	

II Organisational Commitment

OC1

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Disagree	2.00	7	6.4	6.4	6.4
Neutral	3.00	18	16.5	16.5	22.9
Agree	4.00	68	62.4	62.4	85.3
Strongly Agree	5.00	16	14.7	14.7	100.0
		-----	-----	-----	
Total		109	100.0	100.0	

OC2

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Disagree	2.00	17	15.6	15.6	15.6
Neutral	3.00	26	23.9	23.9	39.4
Agree	4.00	60	55.0	55.0	94.5
Strongly Agree	5.00	6	5.5	5.5	100.0
		-----	-----	-----	
Total		109	100.0	100.0	

OC3

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Disagree	2.00	6	5.5	5.5	5.5
Neutral	3.00	27	24.8	24.8	30.3
Agree	4.00	58	53.2	53.2	83.5
Strongly Agree	5.00	18	16.5	16.5	100.0
		-----	-----	-----	
Total		109	100.0	100.0	

Appendix 6.2 (Continued)

OC4

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Disagree	2.00	4	3.7	3.7	3.7
Neutral	3.00	21	19.3	19.3	22.9
Agree	4.00	56	51.4	51.4	74.3
Strongly Agree	5.00	28	25.7	25.7	100.0
		-----	-----	-----	
Total		109	100.0	100.0	

OC5

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Strongly Disagree	1.00	2	1.8	1.8	1.8
Disagree	2.00	13	11.9	11.9	13.8
Neutral	3.00	24	22.0	22.0	35.8
Agree	4.00	64	58.7	58.7	94.5
Strongly Agree	5.00	6	5.5	5.5	100.0
		-----	-----	-----	
Total		109	100.0	100.0	

OC6

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Strongly Disagree	1.00	13	11.9	11.9	11.9
Disagree	2.00	16	14.7	14.7	26.6
Neutral	3.00	22	20.2	20.2	46.8
Agree	4.00	54	49.5	49.5	96.3
Strongly Agree	5.00	4	3.7	3.7	100.0
		-----	-----	-----	
Total		109	100.0	100.0	

OC7

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Strongly Disagree	1.00	1	.9	.9	.9
Disagree	2.00	24	22.0	22.0	22.9
Neutral	3.00	35	32.1	32.1	55.0
Agree	4.00	43	39.4	39.4	94.5
Strongly Agree	5.00	6	5.5	5.5	100.0
		-----	-----	-----	
Total		109	100.0	100.0	

Appendix 6.2 (Continued)

OC8

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Disagree	2.00	2	1.8	1.8	1.8
Neutral	3.00	22	20.2	20.2	22.0
Agree	4.00	66	60.6	60.6	82.6
Strongly Agree	5.00	19	17.4	17.4	100.0
		-----	-----	-----	
Total		109	100.0	100.0	

OC9

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Strongly Disagree	1.00	1	.9	.9	.9
Disagree	2.00	17	15.6	15.6	16.5
Neutral	3.00	27	24.8	24.8	41.3
Agree	4.00	56	51.4	51.4	92.7
Strongly Agree	5.00	8	7.3	7.3	100.0
		-----	-----	-----	
Total		109	100.0	100.0	

OC10

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Disagree	2.00	15	13.8	13.8	13.8
Neutral	3.00	23	21.1	21.1	34.9
Agree	4.00	57	52.3	52.3	87.2
Strongly Agree	5.00	14	12.8	12.8	100.0
		-----	-----	-----	
Total		109	100.0	100.0	

OC11

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Strongly Disagree	1.00	8	7.3	7.3	7.3
Disagree	2.00	15	13.8	13.8	21.1
Neutral	3.00	18	16.5	16.5	37.6
Agree	4.00	56	51.4	51.4	89.0
Strongly Agree	5.00	12	11.0	11.0	100.0
		-----	-----	-----	
Total		109	100.0	100.0	

Appendix 6.2 (Continued)

OC12

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Disagree	2.00	3	2.8	2.8	2.8
Neutral	3.00	27	24.8	24.8	27.5
Agree	4.00	56	51.4	51.4	78.9
Strongly Agree	5.00	23	21.1	21.1	100.0
		-----	-----	-----	
Total		109	100.0	100.0	

OC13

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Strongly Disagree	1.00	3	2.8	2.8	2.8
Disagree	2.00	15	13.8	13.8	16.5
Neutral	3.00	36	33.0	33.0	49.5
Agree	4.00	50	45.9	45.9	95.4
Strongly Agree	5.00	5	4.6	4.6	100.0
		-----	-----	-----	
Total		109	100.0	100.0	

II High-Commitment Work System

HCWS1

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Strongly Disagree	1.00	3	2.8	2.8	2.8
Disagree	2.00	30	27.5	27.5	30.3
Neutral	3.00	9	8.3	8.3	38.5
Agree	4.00	57	52.3	52.3	90.8
Strongly Agree	5.00	10	9.2	9.2	100.0
		-----	-----	-----	
Total		109	100.0	100.0	

HCWS2

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Strongly Disagree	1.00	3	2.8	2.8	2.8
Disagree	2.00	25	22.9	22.9	25.7
Neutral	3.00	20	18.3	18.3	44.0
Agree	4.00	55	50.5	50.5	94.5
Strongly Agree	5.00	6	5.5	5.5	100.0
		-----	-----	-----	
Total		109	100.0	100.0	

Appendix 6.2 (Continued)

HCWS3

Value Label	Value	Frequency	Valid Percent	Cum Percent	Percent
Strongly Disagree	1.00	15	13.8	13.8	13.8
Disagree	2.00	47	43.1	43.1	56.9
Neutral	3.00	19	17.4	17.4	74.3
Agree	4.00	24	22.0	22.0	96.3
Strongly Agree	5.00	4	3.7	3.7	100.0
		-----	-----	-----	
Total		109	100.0	100.0	

HCWS4

Value Label	Value	Frequency	Valid Percent	Cum Percent	Percent
Strongly Disagree	1.00	4	3.7	3.7	3.7
Disagree	2.00	38	34.9	34.9	38.5
Neutral	3.00	25	22.9	22.9	61.5
Agree	4.00	39	35.8	35.8	97.2
Strongly Agree	5.00	3	2.8	2.8	100.0
		-----	-----	-----	
Total		109	100.0	100.0	

HCWS5

Value Label	Value	Frequency	Valid Percent	Cum Percent	Percent
Strongly Disagree	1.00	2	1.8	1.8	1.8
Disagree	2.00	29	26.6	26.6	28.4
Neutral	3.00	22	20.2	20.2	48.6
Agree	4.00	46	42.2	42.2	90.8
Strongly Agree	5.00	10	9.2	9.2	100.0
		-----	-----	-----	
Total		109	100.0	100.0	

HCWS6

Value Label	Value	Frequency	Valid Percent	Cum Percent	Percent
Strongly Disagree	1.00	1	.9	.9	.9
Disagree	2.00	14	12.8	12.8	13.8
Neutral	3.00	16	14.7	14.7	28.4
Agree	4.00	71	65.1	65.1	93.6
Strongly Agree	5.00	7	6.4	6.4	100.0
		-----	-----	-----	
Total		109	100.0	100.0	

Appendix 6.2 (Continued)

HCWS7

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Strongly Disagree	1.00	4	3.7	3.7	3.7
Disagree	2.00	13	11.9	11.9	15.6
Neutral	3.00	19	17.4	17.4	33.0
Agree	4.00	63	57.8	57.8	90.8
Strongly Agree	5.00	10	9.2	9.2	100.0
		-----	-----	-----	
Total		109	100.0	100.0	

HCWS8

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Disagree	2.00	9	8.3	8.3	8.3
Neutral	3.00	13	11.9	11.9	20.2
Agree	4.00	61	56.0	56.0	76.1
Strongly Agree	5.00	26	23.9	23.9	100.0
		-----	-----	-----	
Total		109	100.0	100.0	

HCWS9

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Strongly Disagree	1.00	6	5.5	5.5	5.5
Disagree	2.00	33	30.3	30.3	35.8
Neutral	3.00	13	11.9	11.9	47.7
Agree	4.00	52	47.7	47.7	95.4
Strongly Agree	5.00	5	4.6	4.6	100.0
		-----	-----	-----	
Total		109	100.0	100.0	

HCWS10

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Strongly Disagree	1.00	1	.9	.9	.9
Disagree	2.00	15	13.8	13.8	14.7
Neutral	3.00	12	11.0	11.0	25.7
Agree	4.00	75	68.8	68.8	94.5
Strongly Agree	5.00	6	5.5	5.5	100.0
		-----	-----	-----	
Total		109	100.0	100.0	

Appendix 6.2 (Continued)

HCWS11

Value Label	Value	Frequency	Valid Percent	Cum Percent	Percent
Strongly Disagree	1.00	1	.9	.9	.9
Disagree	2.00	17	15.6	15.6	16.5
Neutral	3.00	19	17.4	17.4	33.9
Agree	4.00	67	61.5	61.5	95.4
Strongly Agree	5.00	5	4.6	4.6	100.0
		-----	-----	-----	
Total		109	100.0	100.0	

HCWS12

Value Label	Value	Frequency	Valid Percent	Cum Percent	Percent
Strongly Disagree	1.00	5	4.6	4.6	4.6
Disagree	2.00	8	7.3	7.3	11.9
Neutral	3.00	9	8.3	8.3	20.2
Agree	4.00	78	71.6	71.6	91.7
Strongly Agree	5.00	9	8.3	8.3	100.0
		-----	-----	-----	
Total		109	100.0	100.0	

HCWS13

Value Label	Value	Frequency	Valid Percent	Cum Percent	Percent
Strongly Disagree	1.00	12	11.0	11.0	11.0
Disagree	2.00	17	15.6	15.6	26.6
Neutral	3.00	9	8.3	8.3	34.9
Agree	4.00	49	45.0	45.0	79.8
Strongly Agree	5.00	22	20.2	20.2	100.0
		-----	-----	-----	
Total		109	100.0	100.0	

HCWS14

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Strongly Disagree	1.00	3	2.8	2.8	2.8
Disagree	2.00	22	20.2	20.2	22.9
Neutral	3.00	13	11.9	11.9	34.9
Agree	4.00	66	60.6	60.6	95.4
Strongly Agree	5.00	5	4.6	4.6	100.0
		-----	-----	-----	
Total		109	100.0	100.0	

Appendix 7.1: Covering Letter to the Taxpayer's Questionnaire



30th May 1997

School of Accounting & Mathematics

Pontypridd

CF37 1DL

Head of School

Professor Alan Ryley

MSc PhD CMath

CEng FIMA MIEE

Telephone 01443 480480

Direct Line 01443 482250

Fax 01443 482711

KAJIAN MENGENAI KUTIPAN CUKAI TAKSIRAN OLEH PIHAKBERKUASA TEMPATAN DI MALAYSIA

Tuan/Puan

Soalselidik ini adalah sebahagian daripada projek penyelidikan PhD saya bagi mengkaji faktor-faktor yang mempengaruhi kutipan cukai taksiran yang dihadapi oleh pihakberkuasa tempatan. Kajian-kajian terawal daripada ini tidak begitu memberi penekanan kepada isu ini apabila membincangkan soal kewangan, khususnya cukai taksiran, pihakberkuasa tempatan. Oleh itu, objektif utama kajian ini ialah mengenalpasti faktor yang begitu 'berpengaruh' yangmana mempengaruhi kecekapan sistem kutipan cukai taksiran. Faktor-faktor ini akan dikenalpasti berdasarkan kepada beberapa Majlis yang dipilih.

Penemuan kajian ini diharapkan dapat membantu Majlis berkenaan mengenalpasti faktor-faktor yang menyebabkan wujudnya kelemahan dalam sistem kutipan dan seterusnya pihak Majlis dapat mengambil tindakan sewajarnya. Kajian ini juga diharapkan dapat menyumbang lebih daripada mengenalpasti masalah prestasi kutipan cukai taksiran tetapi juga perkara-perkara yang berkaitan seperti prestasi perkhidmatan dan juga kepuasan pengguna.

Soalselidik yang dilampirkan ini ingin mendapatkan pandangan tuan/puan terhadap sistem cukai taksiran yang dilaksanakan sekarang. Semua maklumat yang diperolehi hanya akan digunakan untuk tujuan penyelidikan semata-mata dan akan dijaga kerahsiaannya.

Saya amat berterima kasih atas masa yang diberikan oleh tuan/puan bagi mengisi soalselidik ini. Masa dan kerjasama yang diberikan oleh tuan/puan amatlah dihargai dan terima kasih kerana membantu saya menjayakan projek ini.

This survey questionnaire is part of my PhD research project to study the performance of assessment tax collection by Malaysian local authorities. Previous studies of these authorities have not previously focused on these issues. The main objective of the study is to identify those factors which determine the efficiency of the assessment tax collection based on a detailed study of a selected number of councils.

The results of this work should enable the local authorities concerned to identify those factors causing problems with their own tax collection procedures and take appropriate action on those items within their control. It is also anticipated that this study will have a much wider implication for monitoring and improving performance in other areas of tax collection which will ultimately go beyond the performance of Malaysian assessment tax collection performances.

The attached questionnaire attempts to gauge your perception towards your existing assessment tax systems and I would be most grateful if you would complete it. All information obtained will be strictly used for the purposes of the research and remain confidential.

Finally I appreciate your time and co-operation in completing the questionnaire and thank you for taking part in this project.

(Mahamad Tayib)
Department of Accounting and Finance

Appendix 7.2: Introduction Letter



30th May 1997

School of Accounting & Mathematics

Pontypridd
CF37 1DL
Head of School
Professor Alan Ryley
MSc PhD CMath
CEng FIMA MIEE
Telephone 01443 480480
Direct Line 01443 482250
Fax 01443 482711

To Whom It May Concern

Dear Sir

Subject: Mahamad Tayib

Mahamad Tayib is a full time research student with the School. He is undertaking a PhD project on assessment tax collection in Malaysian local authorities. The title of his work is:

Assessment Tax Collection in Malaysian Local Authorities

His main objective is to identify those factors, which determine the performance of assessment tax collection in Malaysia based on a detailed study of a selected number of councils.

The results of this work should enable the local authorities concerned to identify those factor-causing problems with their own tax procedures and to take appropriate action on those items within their control. It is also anticipated that this study will have much wider implications for monitoring and improving performance in other areas of tax collection, which will ultimately go beyond the tax collection performance of Malaysian local authorities.

As regards to the study, he has selected your council as one of his sample. We, therefore, hope that your council could kindly provide him with the information requested. All information obtained will be strictly used for the purposes of the research and remain confidential.

Finally, we appreciate your time and co-operation and thank you very much for taking part in this potentially very exciting project.

Yours sincerely

*Professor Ashley Burrowes
Director of the Study.*

Appendix 7.3: Distribution of Respondents by the Council's Collection Performance and Demographic Characteristics

Variable	High Collection Performance N=103		Medium Collection Performance N=104		Low Collection Performance N=98	
	F	%	F	%	F	%
Gender						
Female	65	60.2	27	26.0	38	38.8
Male	41	39.8	77	74.0	60	61.2
Race						
Chinese	6	5.8	9	8.7	12	12.2
Indian	4	3.9	7	6.7	5	5.1
Malay	93	90.3	87	83.7	81	82.7
Other	0	0.0	1	1.0	-	-
Age						
20-30	13	12.6	13	12.5	36	36.7
31-40	43	41.7	25	24.0	30	30.6
41-50	42	40.8	43	41.3	18	18.4
Over 50	5	4.9	23	22.1	14	14.3
Marital Status						
Single	15	14.6	7	6.7	23	23.5
Married	87	84.5	93	89.4	72	73.5
Divorced	0.0	0.0	3	2.9	1	1.0
Other	1	1.0	1	1.0	2	2.0
Level of Education						
LCE/SRP	19	18.4	6	5.8	11	11.2
MCE/SPM	59	57.3	40	38.5	31	31.6
HSC/STPM	15	14.6	17	16.3	14	14.3
Diploma	7	6.8	10	9.6	21	21.4
Bachelor's Degree	2	1.9	22	21.2	15	15.3
Master's Degree	-	-	5	4.8	1	1.0
Ph.D.	1	1.0	2	1.9	-	-
Professional	-	-	1	1.0	2	2.0
Other	-	-	1	1.0	3	3.1
Current Employment						
Government	83	80.6	73	70.2	26	26.5
Private Sector	5	4.9	20	19.2	34	34.7
Own Business	15	14.6	11	10.6	35	35.7
Not Working	-	-			3	3.1
No. of Dependents						
None	22	21.4	44	42.3	34	34.7
One	17	16.5	17	16.3	7	7.1
Two	32	31.1	19	18.3	11	11.2
Three	11	10.7	10	9.6	18	18.4
Four	9	8.7	7	6.7	15	15.3
Five	9	8.7	5	4.8	9	9.2
Six	2	1.9	2	1.9	4	4.1
Seven	1	0.9	-	-	-	-

Appendix 7.3 (Continued)

Monthly Gross Income						
Less than RM600	12	11.7	4	3.8	16	16.3
RM601-RM1,000	31	30.1	25	24.0	22	22.4
RM1,001-RM2,000	46	44.7	29	27.9	32	32.7
RM2,001-RM3,000	6	5.8	22	21.2	16	16.3
RM3,001-RM6,000	2	1.9	19	18.3	4	4.1
RM6,001-RM10,000	6	5.8	5	4.8	8	8.2
Occupation						
Professional	4	3.9	28	26.9	9	9.2
Managerial, Executive	1	1.0	15	14.4	20	20.4
Engineering, Technical	7	6.8	7	6.7	12	12.2
Administrative, Clerical	79	76.7	45	43.3	29	29.6
Owner Manager	12	11.7	9	8.7	27	27.6
Other	-	-	-	-	1	1.0
Type of House Owned						
Low Cost-housing	36	35.0	23	22.1	29	29.6
Medium Cost-housing	57	55.3	54	51.9	44	44.9
High Cost-housing	5	4.9	22	21.2	23	23.5
Shop house	5	4.9	5	4.8	2	2.0

Appendix 7.4: Frequency of the Taxpayers Survey

I. DEMOGRAPHIC

GENDER

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Female	1	127	41.6	41.6	41.6
Male	2	178	58.4	58.4	100.0
	Total	305	100.0	100.0	

RACE

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Chinese	1	27	8.9	8.9	8.9
Indian	2	16	5.2	5.2	14.1
Malay	3	261	85.6	85.6	99.7
Other	4	1	.3	.3	100.0
	Total	305	100.0	100.0	

AGE

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
20-30	1	62	20.3	20.3	20.3
31-40	2	98	32.1	32.1	52.5
41-50	3	103	33.8	33.8	86.2
Over 50	4	42	13.8	13.8	100.0
	Total	305	100.0	100.0	

STATUS

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Single	1	45	14.8	14.8	14.8
Married	2	252	82.6	82.6	97.4
Divorced	3	4	1.3	1.3	98.7
Other	4	4	1.3	1.3	100.0
	Total	305	100.0	100.0	

EDUCATION

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
LCE/SRP	1	36	11.8	11.8	11.8
MCE/SPM	2	130	42.6	42.6	54.4
HSC/STPM	3	46	15.1	15.1	69.5
DIPLOMA	4	38	12.5	12.5	82.0
BACHELOR DEGREE	5	39	12.8	12.8	94.8
MASTER DEGREE	6	6	2.0	2.0	96.7
Ph.D.	7	3	1.0	1.0	97.7
PROFESSIONAL	8	3	1.0	1.0	98.7
OTHER	9	4	1.3	1.3	100.0
	Total	305	100.0	100.0	

Appendix 7.4 (Continued)

EMPLOYER

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Government	1	182	59.7	59.7	59.7
Private Sector	2	59	19.3	19.3	79.0
Own Business	3	61	20.0	20.0	99.0
Not Working	4	3	1.0	1.0	100.0
Total		305	100.0	100.0	

DEPENDENT

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1	141	46.2	46.2	46.2
	2	62	20.3	20.3	66.6
	3	39	12.8	12.8	79.3
	4	31	10.2	10.2	89.5
	5	23	7.5	7.5	97.0
	6	8	2.6	2.6	99.7
	7	1	.3	.3	100.0
Total		305	100.0	100.0	

INCOME

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Less than RM600	1	32	10.5	10.5	10.5
RM601-RM1,0002	78	25.6	25.6	36.1	
RM1,001-RM2000	3	107	35.1	35.1	71.1
RM2,001-RM3000	4	44	14.4	14.4	85.6
RM3,001-RM6,000	5	25	8.2	8.2	93.8
RM6,001-RM10,000	6	19	6.2	6.2	100.0
Total		305	100.0	100.0	

OCCUPATION

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Professional	1	41	13.4	13.4	13.4
Managerial, executive	2	36	11.8	11.8	25.2
Engineering, Technical	3	26	8.5	8.5	33.8
Administrative, Clerical	4	153	50.2	50.2	83.9
Owner Manager	5	48	15.7	15.7	99.7
Other	6	1	.3	.3	100.0
Total		305	100.0	100.0	

TYPE OF HOUSE

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Low cost-housing	1	100	32.8	32.8	32.8
Medium cost-housing	2	158	51.8	51.8	84.6
High cost-housing	3	36	11.8	11.8	96.4
Shop-house	4	11	3.6	3.6	100.0
Total		305	100.0	100.0	

Appendix 7.4 (Continued)

FAMILY

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Urban	1	125	41.0	41.0	41.0
Suburban	2	85	27.9	27.9	68.9
Rural area	3	53	17.4	17.4	86.2
Mixed	4	42	13.8	13.8	100.0
Total		305	100.0	100.0	

II BENEFIT RECEIVED (BR)

BR1

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Strongly Disagree	1.00	31	10.2	10.2	10.2
Disagree	2.00	109	35.7	35.7	45.9
Neutral	3.00	50	16.4	16.4	62.3
Agree	4.00	96	31.5	31.5	93.8
Strongly Agree	5.00	19	6.2	6.2	100.0
Total		305	100.0	100.0	

BR2

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Strongly Disagree	1.00	19	6.2	6.2	6.2
Disagree	2.00	91	29.8	29.8	36.1
Neutral	3.00	51	16.7	16.7	52.8
Agree	4.00	128	42.0	42.0	94.8
Strongly Agree	5.00	16	5.2	5.2	100.0
Total		305	100.0	100.0	

BR3

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Strongly Disagree	1.00	38	12.5	12.5	12.5
Disagree	2.00	116	38.0	38.0	50.5
Neutral	3.00	68	22.3	22.3	72.8
Agree	4.00	67	22.0	22.0	94.8
Strongly Agree	5.00	16	5.2	5.2	100.0
Total		305	100.0	100.0	

BR4

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Strongly Disagree	1.00	18	5.9	5.9	5.9
Disagree	2.00	73	23.9	23.9	29.8
Neutral	3.00	58	19.0	19.0	48.9
Agree	4.00	140	45.9	45.9	94.8
Strongly Agree	5.00	16	5.2	5.2	100.0
Total		305	100.0	100.0	

Appendix 7.4 (Continued)

BR5

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Strongly Disagree	1.00	22	7.2	7.2	7.2
Disagree	2.00	79	25.9	25.9	33.1
Neutral	3.00	50	16.4	16.4	49.5
Agree	4.00	123	40.3	40.3	89.8
Strongly Agree	5.00	31	10.2	10.2	100.0
	Total	305	100.0	100.0	

III CLARITY OF THE ASSESSMENT TAXES SYSTEMS (CATS)

CATS1

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Strongly Disagree	1.00	7	2.3	2.3	2.3
Disagree	2.00	73	23.9	23.9	26.2
Neutral	3.00	75	24.6	24.6	50.8
Agree	4.00	143	46.9	46.9	97.7
Strongly Agree	5.00	7	2.3	2.3	100.0
	Total	305	100.0	100.0	

CATS2

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Strongly Disagree	1.00	23	7.5	7.5	7.5
Disagree	2.00	109	35.7	35.7	43.3
Neutral	3.00	78	25.6	25.6	68.9
Agree	4.00	89	29.2	29.2	98.0
Strongly Agree	5.00	6	2.0	2.0	100.0
	Total	305	100.0	100.0	

CATS3

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Strongly Disagree	1.00	28	9.2	9.2	9.2
Disagree	2.00	116	38.0	38.0	47.2
Neutral	3.00	69	22.6	22.6	69.8
Agree	4.00	89	29.2	29.2	99.0
Strongly Agree	5.00	3	1.0	1.0	100.0
	Total	305	100.0	100.0	

CATS4

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Strongly Disagree	1.00	18	5.9	5.9	5.9
Disagree	2.00	104	34.1	34.1	40.0
Neutral	3.00	55	18.0	18.0	58.0
Agree	4.00	112	36.7	36.7	94.8
Strongly Agree	5.00	16	5.2	5.2	100.0
	Total	305	100.0	100.0	

Appendix 7.4 (Continued)

IV CONVENIENCE OF PAYMENT (COP)

COP1

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Strongly Disagree	1.00	24	7.9	7.9	7.9
Disagree	2.00	73	23.9	23.9	31.8
Neutral	3.00	54	17.7	17.7	49.5
Agree	4.00	143	46.9	46.9	96.4
Strongly Agree	5.00	11	3.6	3.6	100.0
	Total	305	100.0	100.0	

COP2

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Strongly Disagree	1.00	15	4.9	4.9	4.9
Disagree	2.00	60	19.7	19.7	24.6
Neutral	3.00	60	19.7	19.7	44.3
Agree	4.00	159	52.1	52.1	96.4
Strongly Agree	5.00	11	3.6	3.6	100.0
	Total	305	100.0	100.0	

COP3

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Strongly Disagree	1.00	12	3.9	3.9	3.9
Disagree	2.00	51	16.7	16.7	20.7
Neutral	3.00	50	16.4	16.4	37.0
Agree	4.00	173	56.7	56.7	93.8
Strongly Agree	5.00	19	6.2	6.2	100.0
	Total	305	100.0	100.0	

COP4

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Strongly Disagree	1.00	20	6.6	6.6	6.6
Disagree	2.00	86	28.2	28.2	34.8
Neutral	3.00	48	15.7	15.7	50.5
Agree	4.00	139	45.6	45.6	96.1
Strongly Agree	5.00	12	3.9	3.9	100.0
	Total	305	100.0	100.0	

COP5

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Strongly Disagree	1.00	10	3.3	3.3	3.3
Disagree	2.00	45	14.8	14.8	18.0
Neutral	3.00	67	22.0	22.0	40.0
Agree	4.00	175	57.4	57.4	97.4
Strongly Agree	5.00	8	2.6	2.6	100.0
	Total	305	100.0	100.0	

Appendix 7.4 (Continued)

COP6

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Strongly Disagree	1.00	18	5.9	5.9	5.9
Disagree	2.00	57	18.7	18.7	24.6
Neutral	3.00	60	19.7	19.7	44.3
Agree	4.00	160	52.5	52.5	96.7
Strongly Agree	5.00	10	3.3	3.3	100.0
Total		305	100.0	100.0	

COP7

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Strongly Disagree	1.00	14	4.6	4.6	4.6
Disagree	2.00	44	14.4	14.4	19.0
Neutral	3.00	59	19.3	19.3	38.4
Agree	4.00	178	58.4	58.4	96.7
Strongly Agree	5.00	10	3.3	3.3	100.0
Total		305	100.0	100.0	

V. QUALITY OF SERVICE (QOS)

QOS1

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Don't Know	.00	6	2.0	2.0	2.0
Strongly Disagree	1.00	30	9.8	9.8	11.8
Disagree	2.00	81	26.6	26.6	38.4
Neutral	3.00	73	23.9	23.9	62.3
Agree	4.00	108	35.4	35.4	97.7
Strongly Agree	5.00	7	2.3	2.3	100.0
Total		305	100.0	100.0	

QOS2

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Don't Know	.00	1	.3	.3	.3
Strongly Disagree	1.00	26	8.5	8.5	8.9
Disagree	2.00	84	27.5	27.5	36.4
Neutral	3.00	76	24.9	24.9	61.3
Agree	4.00	112	36.7	36.7	98.0
Strongly Agree	5.00	6	2.0	2.0	100.0
Total		305	100.0	100.0	

Appendix 7.4 (Continued)

QOS3

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Don't Know	.00	2	.7	.7	.7
Strongly Disagree	1.00	18	5.9	5.9	6.6
Disagree	2.00	67	22.0	22.0	28.5
Neutral	3.00	53	17.4	17.4	45.9
Agree	4.00	148	48.5	48.5	94.4
Strongly Agree	5.00	17	5.6	5.6	100.0
Total		305	100.0	100.0	

QOS4

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Don't Know	.00	2	.7	.7	.7
Strongly Disagree	1.00	27	8.9	8.9	9.5
Disagree	2.00	75	24.6	24.6	34.1
Neutral	3.00	59	19.3	19.3	53.4
Agree	4.00	129	42.3	42.3	95.7
Strongly Agree	5.00	13	4.3	4.3	100.0
Total		305	100.0	100.0	

QOS5

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Don't Know	.00	1	.3	.3	.3
Strongly Disagree	1.00	13	4.3	4.3	4.6
Disagree	2.00	76	24.9	24.9	29.5
Neutral	3.00	83	27.2	27.2	56.7
Agree	4.00	119	39.0	39.0	95.7
Strongly Agree	5.00	13	4.3	4.3	100.0
Total		305	100.0	100.0	

QOS6

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Don't Know	.00	22	7.2	7.2	7.2
Strongly Disagree	1.00	42	13.8	13.8	21.0
Disagree	2.00	88	28.9	28.9	49.8
Neutral	3.00	79	25.9	25.9	75.7
Agree	4.00	65	21.3	21.3	97.0
Strongly Agree	5.00	9	3.0	3.0	100.0
Total		305	100.0	100.0	

Appendix 7.4 (Continued)

QOS7

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Don't Know	.00	63	20.7	20.7	20.7
Strongly Disagree	1.00	28	9.2	9.2	29.8
Disagree	2.00	65	21.3	21.3	51.1
Neutral	3.00	83	27.2	27.2	78.4
Agree	4.00	60	19.7	19.7	98.0
Strongly Agree	5.00	6	2.0	2.0	100.0
Total		305	100.0	100.0	

QOS8

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Don't Know	.00	20	6.6	6.6	6.6
Strongly Disagree	1.00	18	5.9	5.9	12.5
Disagree	2.00	88	28.9	28.9	41.3
Neutral	3.00	62	20.3	20.3	61.6
Agree	4.00	103	33.8	33.8	95.4
Strongly Agree	5.00	14	4.6	4.6	100.0
Total		305	100.0	100.0	

QOS9

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Don't Know	.00	21	6.9	6.9	6.9
Strongly Disagree	1.00	15	4.9	4.9	11.8
Disagree	2.00	72	23.6	23.6	35.4
Neutral	3.00	89	29.2	29.2	64.6
Agree	4.00	102	33.4	33.4	98.0
Strongly Agree	5.00	6	2.0	2.0	100.0
Total		305	100.0	100.0	

QOS10

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Don't Know	.00	12	3.9	3.9	3.9
Strongly Disagree	1.00	19	6.2	6.2	10.2
Disagree	2.00	60	19.7	19.7	29.8
Neutral	3.00	95	31.1	31.1	61.0
Agree	4.00	109	35.7	35.7	96.7
Strongly Agree	5.00	10	3.3	3.3	100.0
Total		305	100.0	100.0	

QOS11

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Don't Know	.00	12	3.9	3.9	3.9
Strongly Disagree	1.00	20	6.6	6.6	10.5
Disagree	2.00	62	20.3	20.3	30.8
Neutral	3.00	92	30.2	30.2	61.0
Agree	4.00	106	34.8	34.8	95.7
Strongly Agree	5.00	13	4.3	4.3	100.0
Total		305	100.0	100.0	

Appendix 7.4 (Continued)

QOS12

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Don't Know	.00	47	15.4	15.4	15.4
Strongly Disagree	1.00	11	3.6	3.6	19.0
Disagree	2.00	32	10.5	10.5	29.5
Neutral	3.00	141	46.2	46.2	75.7
Agree	4.00	67	22.0	22.0	97.7
Strongly Agree	5.00	7	2.3	2.3	100.0
	Total	305	100.0	100.0	

QOS13

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Don't Know	.00	22	7.2	7.2	7.2
Strongly Disagree	1.00	30	9.8	9.8	17.0
Disagree	2.00	84	27.5	27.5	44.6
Neutral	3.00	85	27.9	27.9	72.5
Agree	4.00	78	25.6	25.6	98.0
Strongly Agree	5.00	6	2.0	2.0	100.0
	Total	305	100.0	100.0	

VI. FINANCIAL INFORMATION (FI)

FI1

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
No	0	305	100.0	100.0	100.0
	Total	305	100.0	100.0	

FI2

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
No	0	36	11.8	11.8	11.8
Yes	1	269	88.2	88.2	100.0
	Total	305	100.0	100.0	

FI3

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Not Applicable	0	269	88.2	88.2	88.2
Not Understand	1	16	5.2	5.2	93.4
Not Interested	2	7	2.3	2.3	95.7
Not Enough Time	3	7	2.3	2.3	98.0
No Benefits	4	6	2.0	2.0	100.0
	Total	305	100.0	100.0	

Appendix 7.4 (Continued)

FI4a

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Not Applicable	0	36	11.8	11.8	11.8
No	1	152	49.8	49.8	61.6
Yes	2	117	38.4	38.4	100.0
	Total	305	100.0	100.0	

FI4b

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Not Applicable	0	36	11.8	11.8	11.8
No	1	9	3.0	3.0	14.8
Yes	2	260	85.2	85.2	100.0
	Total	305	100.0	100.0	

FI4c

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Not Applicable	0	36	11.8	11.8	11.8
No	1	152	49.8	49.8	61.6
Yes	2	117	38.4	38.4	100.0
	Total	305	100.0	100.0	

FI4d

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Not Applicable	0	36	11.8	11.8	11.8
No	1	198	64.9	64.9	76.7
Yes	2	71	23.3	23.3	100.0
	Total	305	100.0	100.0	

FI4e

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Not Applicable	0	36	11.8	11.8	11.8
No	1	135	44.3	44.3	56.1
Yes	2	134	43.9	43.9	100.0
	Total	305	100.0	100.0	

FI4f

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
No Statement	0	305	100.0	100.0	100.0
	Total	305	100.0	100.0	

FI5

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Not Applicable	0	36	11.8	11.8	11.8
No	1	21	6.9	6.9	18.7
Yes	2	248	81.3	81.3	100.0
	Total	305	100.0	100.0	

Appendix 7.4 (Continued)

VII. COMPLIANCE COSTS

CC1

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
No	0	169	55.4	55.4	55.4
Yes	1	136	44.6	44.6	100.0
	Total	305	100.0	100.0	

CC2

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Not Applicable	0	169	55.4	55.4	55.4
Less than 5 hours	1	125	41.0	41.0	96.4
5-10 hours	2	11	3.6	3.6	100.0
	Total	305	100.0	100.0	

CC3

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
No	0	289	94.8	94.8	94.8
Yes	1	16	5.2	5.2	100.0
	Total	305	100.0	100.0	

CC4

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Not Applicable	0	289	94.8	94.8	94.8
Less than RM50	1	13	4.3	4.3	99.0
RM50- RM150	2	3	1.0	1.0	100.0
	Total	305	100.0	100.0	

CC5

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
No	0	108	35.4	35.4	35.4
Yes	1	197	64.6	64.6	100.0
	Total	305	100.0	100.0	

CC6

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Not Applicable	0	108	35.4	35.4	35.4
Less than RM25	1	152	49.8	49.8	85.2
RM25-RM50	2	33	10.8	10.8	96.1
RM50-RM200	3	12	3.9	3.9	100.0
	Total	305	100.0	100.0	

Appendix 7.4 (Continued)

CC7

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Not at all	1	50	16.4	16.4	16.4
1-2 times	2	196	64.3	64.3	80.7
3-4 times	3	51	16.7	16.7	97.4
5-6 times	4	8	2.6	2.6	100.0
	Total	305	100.0	100.0	

Appendix 7.5: ANOVA Results for Mean Differences of Income, Number of Dependents, and Type of House Owned between Taxpayers in the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu.

1. Taxpayers Income

Table 7.3a: Anova for Mean Differences of Monthly Gross Income between Taxpayers in the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu

Source	D. F.	Sum of Squares	Mean Squares	F Ratio	F Prob.
Between Groups	2	26414327.44	13207163.72	3.7758	0.0240
Within Groups	302	1056356164	3497868.094		
Total	304	1082770492			

N=305; *p<0.05

Group	Count	Mean	S. D
1 KTMC - Low Collection Performance	98	1963.26	2037.76
2 KSMC - Medium Collection Performance	104	2357.69	1832.17
3 KMC - High Collection Performance	103	1644.66	1737.18

Table 7.3b: Scheffe Multiple Range Test for Mean Differences of Monthly Gross Income between Taxpayers in the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu

Mean	Group	3	1	2
1644.6602	3			
1963.2653	1			
2357.6923	2	*		

Group

- 1 KTMC - Low Collection Performance
- 2 KSMC - Medium Collection Performance
- 3 KMC - High Collection Performance

(*) Denotes pairs of groups significantly different at the 0.05 level

2. The number of dependents

Table 7.3c: Anova for Mean Differences of Number of Dependents between Taxpayers in the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu

Source	D. F.	Sum of Squares	Mean Squares	F Ratio	F Prob.
Between Groups	2	21.8507	10.9254	5.2550	.0057*
Within Groups	302	627.8673	2.0790		
Total	304	649.7180			

N=305; *p<0.01

Group	Count	Mean	S. D
1 KTMC - Low Collection Performance	98	2.51	1.57
2 KSMC - Medium Collection Performance	104	1.86	1.30
3 KMC - High Collection Performance	103	2.29	1.46

Appendix 7.5 (Continued)

Table 7.3d: Scheffe Multiple Range Test for Mean Differences of Number of Dependents between Taxpayers in the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu

Mean	Group	2	3	1
1.8654	2			
2.2913	3			
2.5102	1	*		

Group

1 KTMC - Low Collection Performance

2 KSMC - Medium Collection Performance

3 KMC - High Collection Performance

(*) Denotes pairs of groups significantly different at the 0.05 level

2. Type of house owned

Table 7.3e: Anova for Mean Differences of Type of House Owned between Taxpayers in the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu

Source	D. F.	Sum of Squares	Mean Squares	F Ratio	F Prob.
Between Groups	2	8.4605	4.2302	7.7073	.0005*
Within Groups	302	165.7559	.5489		
Total	304	174.2164			

N=305; *p<0.001

Group

1 KTMC - Low Collection Performance

2 KSMC - Medium Collection Performance

3 KMC - High Collection Performance

Count Mean S. D

98

1.69

.68

104

2.09

.79

103

1.80

.74

Table 7.3f: Scheffe Multiple Range Test for Mean Differences of Type of House Owned between Taxpayers in the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu

Mean	Group	1	3	2
1.6939	1			
1.7961	3			
2.0865	2	*	*	

Group

1 KTMC - Low Collection Performance

2 KSMC - Medium Collection Performance

3 KMC - High Collection Performance

(*) Denotes pairs of groups significantly different at the 0.05 level

Appendix 7.6: ANOVA for Mean Differences of Items CC2, CC4, CC6 and CC7 between the Municipal Councils under study

1. **CC2** *Number of hours taken in a year for record keeping*

Table 7.4a: One-way ANOVA for Mean Differences of CC2 between Taxpayers in the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu

Source	D. F.	Sum of Squares	Mean Squares	F Ratio	F Prob.
Between Groups	2	39.0205	19.5102	6.9366	.0011*
Within Groups	302	849.4222	2.8127		
Total	304	888.4426			

N=305; *p<0.01

Group	Count	Mean	S. D	95% Conf Int for Mean	
1 KTMC - Low Performance	98	0.84	1.48	0.5456 TO	1.1381
2 KSMC - Medium Performance	104	1.30	1.39	1.0272 TO	1.5689
3 KMC - High Performance	103	1.72	2.07	1.3184 TO	2.1282

Table 7.4b: Scheffe Multiple Range Test for Mean Differences of CC2 between Taxpayers in the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu

Mean	Group	1	2	3
0.8418	1			
1.2981	2			
1.7233	3	*		

Group

- 1 KTMC - Low Collection Performance
- 2 KSMC - Medium Collection Performance
- 3 KMC - High Collection Performance

(*) Denotes pairs of groups significantly different at the 0.05 level

2. **CC4** *The total amount per year that you have pay to your adviser*

Table 7.4c: One-way ANOVA for Mean Differences of CC4 between Taxpayers in the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu

Source	D. F.	Sum of Squares	Mean Squares	F Ratio	F Prob.
Between Groups	2	789.2420	394.6210	3.3054	.0380*
Within Groups	302	36055.0203	119.3875		
Total	304	36844.2623			

N=305; *p<0.050

Group	Count	Mean	S. D	95% Conf Int for Mean	
1 KTMC - Low Performance	98	2.30	11.40	.0102 TO	4.5817
2 KSMC - Medium Performance	104	0.00	0.00	.0000 TO	0.0000
3 KMC - High Performance	103	3.88	15.16	.9204 TO	6.8466

Appendix 7.6 (Continued)

Table 7.4d: Scheffe Multiple Range Test for Mean Differences of CC4 between Taxpayers in the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu

Mean	Group	2	1	3
0.0000	2			
2.2959	1			
3.8835	3	*		

Group

1 KTMC - Low Collection Performance

2 KSMC - Medium Collection Performance

3 KMC - High Collection Performance

(*) Denotes pairs of groups significantly different at the 0.05 level

3. CC6 *Total amount per year that you have to incur other expenses*

Table 7.4e: One-way ANOVA for Mean Differences of CC6 between Taxpayers in the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu

Source	D. F.	Sum of Squares	Mean Squares	F Ratio	F Prob.
Between Groups	2	1245.9559	622.9780	1.0121	.3647
Within Groups	302	185897.4867	615.5546		
Total	304	187143.4426			

N=305

Group	Count	Mean	S. D	95% Conf Int for Mean
1 KTMC - Low Performance	98	14.80	27.53	9.2754 TO 20.3164
2 KSMC - Medium Performance	104	12.98	16.33	9.8045 TO 16.1571
3 KMC - High Performance	103	17.84	28.85	12.2021 TO 23.4775

4. CC7 *How often do you visit your local council office to settle your bill per year?*

Table 7.4f: One-way ANOVA for Mean Differences of CC7 between Taxpayers in the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu

Source	D. F.	Sum of Squares	Mean Squares	F Ratio	F Prob.
Between Groups	2	16.3368	8.1684	5.9193	.0030*
Within Groups	302	416.7501	1.3800		
Total	304	433.0869			

N=305; *p<0.01

Group	Count	Mean	S. D	95% Conf Int for Mean
1 KTMC - Low Performance	98	1.36	1.07	1.1484 TO 1.5761
2 KSMC - Medium Performance	104	1.90	1.34	1.6383 TO 2.1598
3 KMC - High Performance	103	1.80	1.09	1.5880 TO 2.0140

Appendix 7.6 (Continued)

Table 7.4g: Scheffe Multiple Range Test for Mean Differences of **CC7** between Taxpayers in the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu

Mean	Group	1	3	2
1.3622	1			
1.8010	3	*		
1.8990	2	*		

Group

1 KTMC - Low Collection Performance

2 KSMC - Medium Collection Performance

3 KMC - High Collection Performance

(*) Denotes pairs of groups significantly different at the 0.05 level

Appendix 7.7: Results of AVOVA for Items FI2, FI4 and FI5

1. **FI2** - *Do you want local government annual report and accounts to be made available or disclosed to the public?*

Table 7.5a: One-way ANOVA for Mean Differences of **FI2** between Taxpayers in the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu

Source	D. F.	Sum of Squares	Mean Squares	F Ratio	F Prob.
Between Groups	2	1.1425	.5713	5.6363	.0040*
Within Groups	302	30.6083	.1014		
Total	304	31.7508			

N=305; *p<0.01

Group	Count	Mean	S. D	95% Conf Int for Mean		
1 KTMC - Low Performance	98	.9694	.173	.9347	TO	1.0041
2 KSMC - Medium Performance	104	.8269	.381	.7530	TO	.9009
3 KMC - High Performance	103	.8544	.354	.7851	TO	.9236

Table 7.5b: Scheffe Multiple Range Test for Mean Differences of **FI2** between Taxpayers in the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu

Mean	Group	2	3	1
.8269	2			
.8544	3			
.9694	1	*	*	

Group

- 1 KTMC - Low Collection Performance
- 2 KSMC - Medium Collection Performance
- 3 KMC - High Collection Performance

(*) Denotes pairs of groups significantly different at the 0.05 level

2. **FI4** *Which section of the annual report would you like to read?*

a) Report by Director of Finance

Table 7.5c: One-way ANOVA for Mean Differences of **FI4a** between Taxpayers in the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu

Source	D. F.	Sum of Squares	Mean Squares	F Ratio	F Prob.
Between Groups	2	.2926	.1463	.3368	.7143
Within Groups	302	131.1959	.4344		
Total	304	131.4885			

N=305;

Group	Count	Mean	S. D	95% Conf Int for Mean		
1 KTMC - Low Performance	98	1.2959	.5219	1.1913	TO	1.4005
2 KSMC - Medium Performance	104	1.2788	.7433	1.1343	TO	1.4234
3 KMC - High Performance	103	1.2233	.6850	1.0894	TO	1.3572

Appendix 7.7 (Continued)

b) Statement of Revenue and Expenditure

Table 7.5d: One-way ANOVA for Mean Differences of **FI4b** between Taxpayers in the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu

Source	D. F.	Sum of Squares	Mean Squares	F Ratio	F Prob.
Between Groups	2	4.8086	2.4043	5.7318	.0036*
Within Groups	302	126.6799	.4195		
Total	304	131.4885			

N=305; *p<0.01

Group	Count	Mean	S. D	95% Conf Int for Mean		
1 KTMC - Low Performance	98	1.9082	.382	1.8315	TO	1.9848
2 KSMC - Medium Performance	104	1.6058	.768	1.4563	TO	1.7552
3 KMC - High Performance	103	1.6990	.712	1.5599	TO	1.8381

Table 7.5e: Scheffe Multiple Range Test for Mean Differences of **FI4b** between Taxpayers in the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu

Mean	Group	2	3	1
1.6058	2			
1.6990	3			
1.9082	1	*		

Group

- 1 KTMC - Low Collection Performance
- 2 KSMC - Medium Collection Performance
- 3 KMC - High Collection Performance

(*) Denotes pairs of groups significantly different at the 0.05 level

c) Balance Sheet

Table 7.5f: One-way ANOVA for Mean Differences of **FI4c** between Taxpayers in the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu

Source	D. F.	Sum of Squares	Mean Squares	F Ratio	F Prob.
Between Groups	2	3.9664	1.9832	4.6966	.0098*
Within Groups	302	127.5221	.4223		
Total	304	131.4885			

N=305; *p<0.01

Group	Count	Mean	S. D	95% Conf Int for Mean		
1 KTMC - Low Performance	98	1.4286	.5561	1.3171	TO	1.5401
2 KSMC - Medium Performance	104	1.1635	.6983	1.0277	TO	1.2993
3 KMC - High Performance	103	1.2136	.6810	1.0805	TO	1.3467

Appendix 7.7 (Continued)

Table 7.5g: Scheffe Multiple Range Test for Mean Differences of **FI4c** between Taxpayers in the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu

Mean	Group	2	3	1
1.1635	2			
1.2136	3			
1.4286	1	*		

Group

- 1 KTMC - Low Collection Performance
- 2 KSMC - Medium Collection Performance
- 3 KMC - High Collection Performance

(*) Denotes pairs of groups significantly different at the 0.05 level

d) Notes to the Account

Table 7.5h: One-way ANOVA for Mean Differences of **FI4d** between Taxpayers in the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu

Source	D. F.	Sum of Squares	Mean Squares	F Ratio	F Prob.
Between Groups	2	3.9032	1.9516	5.9486	.0029*
Within Groups	302	99.0804	.3281		
Total	304	102.9836			

N=305; *p<0.01

Group	Count	Mean	S. D	95% Conf Int for Mean
1 KTMC - Low Performance	98	1.2755	.5133	1.1726 TO 1.3784
2 KSMC - Medium Performance	104	1.0673	.6426	.9423 TO 1.1923
3 KMC - High Performance	103	1.0097	.5512	.9020 TO 1.1174

Table 7.5i: Scheffe Multiple Range Test for Mean Differences of **FI4d** between Taxpayers in the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu

Mean	Group	3	2	1
1.0097	3			
1.0673	2			
1.2755	1	*	*	

Group

- 1 KTMC - Low Collection Performance
- 2 KSMC - Medium Collection Performance
- 3 KMC - High Collection Performance

(*) Denotes pairs of groups significantly different at the 0.05 level

Appendix 7.7 (Continued)

e) Cash Flow Statement

Table 7.5j: One-way ANOVA for Mean Differences of **FI4e** between Taxpayers in the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu

Source	D. F.	Sum of Squares	Mean Squares	F Ratio	F Prob.
Between Groups	2	6.9603	3.4802	7.9893	.0004
Within Groups	302	131.5512	.4356		
Total	304	138.5115			

N=305; *p<0.001

Group	Count	Mean	S. D	95% Conf Int for Mean		
1 KTMC - Low Performance	98	1.5408	.5592	1.4287	TO	1.6529
2 KSMC - Medium Performance	104	1.2212	.7235	1.0805	TO	1.3619
3 KMC - High Performance	103	1.2136	.6810	1.0805	TO	1.3467

Table 7.5k: Scheffe Multiple Range Test for Mean Differences of **FI4e** between Taxpayers in the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu

Mean	Group	3	2	1
1.2136	3			
1.2212	2			
1.5408	1	*	*	

Group

- 1 KTMC - Low Collection Performance
- 2 KSMC - Medium Collection Performance
- 3 KMC - High Collection Performance

(*) Denotes pairs of groups significantly different at the 0.05 level

3. **FI5** *If you have an opportunity to read the report, would you be more willing to pay the assessment tax?*

Table 7.5l: One-way ANOVA for Mean Differences of **FI5** between Taxpayers in the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu

Source	D. F.	Sum of Squares	Mean Squares	F Ratio	F Prob.
Between Groups	2	5.3514	2.6757	6.1547	.0024*
Within Groups	302	131.2913	.4347		
Total	304	136.6426			

N=305; *p<0.01

Group	Count	Mean	S. D	95% Conf Int for Mean		
1 KTMC - Low Performance	98	1.8776	.4128	1.7948	TO	1.9603
2 KSMC - Medium Performance	104	1.5577	.7737	1.4072	TO	1.7082
3 KMC - High Performance	103	1.6602	.7216	1.5192	TO	1.8012

Appendix 7.7 (Continued)

Table 7.5m: Scheffe Multiple Range Test for Mean Differences of **F15** between Taxpayers in the Municipal Councils of Kuantan, Kota Setar and Kuala Trengganu

Mean	Group	2	3	1
1.5577	2			
1.6602	3			
1.8776	1	*		

Group

1 KTMC - Low Collection Performance

2 KSMC - Medium Collection Performance

3 KMC - High Collection Performance

(*) Denotes pairs of groups significantly different at the 0.05 level

Appendix 8: Suggestions to Improve Assessment Tax Revenue Collection Performance

A) Assessment Tax Administration System

	High Collection Performance	Medium Collection Performance	Low Collection Performance
Efficiency of the tax administrative system	<ul style="list-style-type: none"> Up-date or regularly re-train staff from time to time 	<ul style="list-style-type: none"> Full utilisation of manpower Staff training 	<ul style="list-style-type: none"> Full utilisation of manpower Staff training
Productivity of the tax administrative system	<ul style="list-style-type: none"> Improve High-commitment work environment Improve staff organisational commitment 	<ul style="list-style-type: none"> Use more IT Increase computer literacy Improve High-commitment work environment Improve staff organisational commitment 	<ul style="list-style-type: none"> Use more IT Increase computer literacy Full adoption of High-commitment work system Staff organisational commitment must be improved
Managing taxpayer accounts	<ul style="list-style-type: none"> Remain consistent with best practice in order to keep delinquent taxpayers compliant 	<ul style="list-style-type: none"> Should be committed and strictly comply with provisions of Sections 148 to 156 LGA 1976 	<ul style="list-style-type: none"> Should be committed and strictly comply with provisions of Sections 148 to 156 of LGA 1976
The use of information technology	<ul style="list-style-type: none"> Improve on-line computerised system by linking to all other relevant departments within the council. 	<ul style="list-style-type: none"> On-line computerised system for all section/units related to assessment tax administration 	<ul style="list-style-type: none"> Purchase more computers On-line computerised system with all section/units related to assessment tax administration
Organisational Commitment	<ul style="list-style-type: none"> Improve and regularly inform staff regarding the organisation's goals and values 	<ul style="list-style-type: none"> The organisation's mission and policies must be made known and explain to the staff The organisation's goal and values must be fully explained to the staff 	<ul style="list-style-type: none"> The organisation's mission and policies must be made known and explain to the staff The organisation's goal and values must be fully explained to the staff

Appendix 8: (Continued)

High-commitment work system	<p>Improve the high-commitment work system, especially:</p> <ul style="list-style-type: none"> • Maintain and develop job rotation system • Evaluation or assessment of staff performance • Staff reward system 	<p>Improve High-commitment work environment, especially:</p> <ul style="list-style-type: none"> • Minimise status differences • Introduce job definition • Improve staff work-review system • Job rotation system • Evaluation or assessment of staff performance • Staff reward system • Training and personal development programmes 	Full adoption of High-commitment work system
-----------------------------	--	---	--

Appendix 8: (Continued)

b) Taxpayer Compliance Behaviour

	High Collection Performance	Medium Collection Performance	Low Collection Performance
	<p>Improve basic service provided to the taxpayer, especially:</p> <ul style="list-style-type: none"> • Refuse collection • Drainage facility 	<p>All the basic services provided to the taxpayers must be improved.</p>	<p>All the basic services provided to the taxpayers must be improved.</p>
Benefit Received	<p>This may be monitored by:</p> <ul style="list-style-type: none"> • Regularly surveying taxpayer satisfaction and asking for views/recommendations for improvement. • Providing a hot-line for complaining or reporting any form of poor service provided. • Introducing a special task force for immediate necessary corrective responses. 		
Ability to Pay	<p>The Malaysian State Authority should consider a rebate system as operated under UK Council Tax regulations. This can be done by adjustment to Section 136 of Local Government Act 1976.</p>		
Clarity of the Assessment Tax System	<p>Education and publicity about the Assessment Tax to taxpayers. This includes all the items listed in the Questionnaire (see Table 5.6.)</p>		
	<p>Improve the current practice to include:</p> <ul style="list-style-type: none"> • Leaflets to householders • Publicity in local news paper of council affairs 	<p>The publicity for the Assessment Tax must be aggressive. This can be done through both existing and the following instruments:</p> <ul style="list-style-type: none"> • Radio • Publicity in local news paper of council affairs • Leaflets to householders • Leaflets at authority offices 	<p>The publicity for the Assessment Tax must be aggressive. This can be done through both existing and the following instruments:</p> <ul style="list-style-type: none"> • Radio • Publicity in local news paper of council affairs • Leaflets at authority offices • Leaflets to householders

Appendix 8: (Continued)

Convenience of Payment	<p>Improve the current practice to include:</p> <ul style="list-style-type: none"> The allocation of the collection points Additional information to accompany the bill 	<p>Improve the current practice to include:</p> <ul style="list-style-type: none"> More collection points Method of payment should be more flexible Mode of payment should be varied Additional information to accompany the bill 	<p>Improve the current practice to include:</p> <ul style="list-style-type: none"> The allocation of the collection points More Collection points Method of payment should be more flexible Additional information to accompany the bill
Quality of Service	<p>Improve the quality of services delivered to the taxpayer, especially:</p> <ul style="list-style-type: none"> Fully comply with the Customer Charter Immediate response to taxpayers complaints 	<p>The quality of services delivered to taxpayers must be improved. All the items listed in Table 5.8 must be given due attention by decision-makers.</p>	<p>The quality of services delivered to taxpayers must be improved. All the items listed in Table 5.8 must be given due attention by decision-makers.</p>
Compliance Costs	<p>Expert costs could be reduced by enhancing the understanding or clarity of the Assessment Tax, especially:</p> <ul style="list-style-type: none"> The base used in computing the assessment tax The amount of tax to be paid on each taxable property <p>Miscellaneous expenses could be reduced by introducing:</p> <ul style="list-style-type: none"> Free post facilities (SAE) More collection point (through centralised payment) 	<p>Miscellaneous expenses could be reduced by introducing:</p> <ul style="list-style-type: none"> Free post facilities (SAE) More collection point (through centralised payment) 	<p>Expert costs could be reduced by enhance the understanding or clarity of the Assessment Tax, especially:</p> <ul style="list-style-type: none"> The base used in computing the assessment tax The amount of tax to be paid on each taxable property <p>Miscellaneous expenses could be reduced by introducing:</p> <ul style="list-style-type: none"> Free post facilities (SAE) More collection point (through centralised payment)
Financial Information Disclosure	<p>The Malaysian local authorities should consider following the experiences of the UK local authorities. This should be subjected to further research regarding relevance to Malaysian local authorities</p> <p>Extending Section 60 of the Local Government Act 1976 to include a provision regarding local taxpayers right to at least a summary of financial information on the income and expenditure of their local authority.</p>		